Indian Agricultural Reforms: Corporate Welfare v/s Farmers

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Abstract

Recent farmers' protest at different borders of Delhi clearly shows that this agricultural crisis has arisen from the conscious compromises made by Indian state, which serves the interest of corporate class. These three agricultural laws have been presented mainly from the vantage point of big capital seeking new business opportunities. In fact these are not reforms but serves corporate welfare at the cost of large sections of peasantry, workers. This protest is different from earlier peasant movements that occurred in British colonial era. In fact this protest is an expression of contradictions that are endemic to India's path to agricultural liberalization.

The biggest question that arises due to current farmers protests that why these farmers felt the need to start massive protest against three agricultural laws or anti MSP laws. The very answer for this lies in the duality of awareness and the Congress's support. Attention for their economic interest specifically agriculture is the foremost point. We can see that every community has a certain level of understanding of their interest be it economic, political or social. In our concerned issue the answer is affirmative. The farsightedness of this movement can lead to urgent economic reforms needed in Indian Economy. Punjab being the starting point for this movement proved that the intellectual and economic alertness of its farmers. On the whole the credit goes to Punjab's farmers to raise awareness against the corporate exploitation and privilege ideology.

Why are these laws Problematic?

Elimination of MSP for grain will be resulted from these laws. To keep up the market farmers can be forced to sell their crop at much lower rates by big private companies. These laws neither guarantee the reasonable price for their produce nor did them the produce at the right time. Farmers told the research team

Deregulation laws lead to the elimination of the MSP for grain. Large corporations could exploit farmers into selling their crops for much cheaper than they are worth in order to keep up with the market. It would lead to fewer earnings for farmers. Farmers may be unable to survive off these earnings and be forced to sell off land and they will become landless laborers. The MSP- supported government procurement of wheat and rice has, over decades, become the cornerstone of agricultural operations in the north-west. The farmer in this area not only helped make the country self-sufficient in food, but also today, there is a huge excess in buffer stock. Now there is a need to diversify, move away from cereals and into coarse grains, cash crops and pulses- crops which are not water-guzzlers- and also to encourage dryland farming. The MSP has to lose its primary focus on cereals. The MSP supported procurement of cereals gave the north-west farmers a sense of security; as a result, productivity has stagnated. Decades after the Green Revolution, the farmers have to confront the market-place of private buyers and live in a world where the MSP and procurement are not primarily focused on cereals but other crops. So, the agitating farmers know intuitively that assured procurement at the MSP of wheat they produce is set to end. Hence, they are insisting on maintaining the status quo.

In such a situation, assured prices alone can ensure that farmers have a steady income. Otherwise, a sudden glut can cause farmers to go bankrupt. And we know this happen every year in places where farmers are unable to access the APMC mandis or get MSP. They are unable to pay the loans they took at the beginning of the season. Microfinance lenders and banks come banging at their doors. At times, the farmers humiliated so much that they end up their lives themselves. In reality, the new agricultural laws ensure that farmers will be powerless in front of big corporate agri-buyers. Purchase contract will have to be agreed to before the sowing season. The farmer will have to ensure that the quality of crop meets the contracted standards. The buyer will have the right to terminate the contract whenever he wants. If there is a dispute, the farmer will not be able to go to any civil court. In effect, the farmer will be at the mercy of corporate buyer. The complexity of crop procurement will ensure that a few big corporate, who can assimilate a part of the existing network of grain traders into the system, will quickly capture the market and become monopolies. The corporate will dictate prices and farmer will have no fallback option, since there will be no MSP system to protect them. The same trading networks that give some price stability to small farmers, because of government procurement, will simply congeal and be absorbed into the procurement structure of big corporate. The vast sea of rural exploitative relations will be preserved, but the lifeboat of MSP will be taken away. It will simply throwing the farmers to the mercy of market forces and big businesses. Global experience shows that this can only make things worse for farmers.[1]

Farmers' Objections

These new laws are anti-farmers and Pro Corporation as claimed by the critics. By decreasing their earning and bargaining power it will make them vulnerable to exploitation by corporations is the main concern of farmers. The MSP system will be weakened or ended. The certainty of investing in new crop cycle us given by MSP. Consequently the unemployment and the debt on farmers will increase and taking cases to court

[1] R. Subir, "Why Farmers are not keen on Agri Reforms", The Tribune, 8 October, 2020.

becomes harder. Closure of existing APMC mandi will be resulted from alternate private mandi. Due to constraints on travel and storage the small farmers will find it difficult to avail potentially better prices from removing geographical restriction. The restriction for farmers to sell elsewhere was no there earlier before too.

What are the New Farming laws?

The two houses of parliament passed the three farming laws. Contract farming in which farmers can sell directly to buyers and bypass the govt. to enter into contract with private companies is allowed through these laws. Stockpiling and hoarding of goods is also allowed by the new legislation. The farmers would at least get MSP in the auction of their crops at APMC previously. Established in 1964 they are govt. regulated markets known as mandis. Farmers will be forced to sell only to corporations which open the potential for exploitation if these committees are eliminated. These laws are given below:-

1. The Farmer Produce, Trade and Commerce (Promotion and Facilitation) Act, 2009.
2. The Farmer (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020.
3. The Essential Commodities (Amendment) Act, 2020.

Law -1

- The Farmer Produce Trade and Commerce (Promotion and Facilitation) Bill allows barrier-free intra and inter-state trade of farm produce.
- Previously, farm produce was sold at notified wholesale markets, or mandis, run by the approximately 7000 Agricultural Produce Marketing Committees (APMCs), established in 1850's.
- Each APMC had licensed middlemen who would buy from farmers at prices set by auction-before selling to institutional buyers like retailers and big traders.

In this Trade Liberalization Act, there is a provision that allowed private parties to set up mandis. It is provided that the state government will not be able to levy any fee, tax or cess on transactions in these mandis or regulate these in any way. This will obviously give an advantage benefit to private mandis. Farmers apprehend that this will enable the private mandis to offer better terms. As a result, trade will gradually shift from the regulated mandis to the private mandis, leading to the withering away of the former. These mandis, particularly in Punjab and Haryana, have played a crucial role in ensuring a proper price to farmers for their produce through a system of open auction. Once these are weakened, private traders functioning in unregulated mandis will be able to exploit the farmers and purchase their produce at a throwaway price.

The income from market fee, rural development cess etc, which is used for the development of infrastructure in these mandis and surrounding rural areas, will be lost by the government.[2]

[2] B.B. Mahajan, *"Finding a way out of agrarian impasse"*, The Tribune, 22 December, 2020.

The Change

According to new system farmers can sell directly to institutional buyers at prices to be agreed between them and can eliminate the middlemen. Due to small production they can't do bargain. This practice will expose them to corporate who have more bargaining power and resources than small or marginal farmers is the reason of worry for farmers groups. It is difficult for farmers to negotiate directly with large scale buyers as 85% of them own less than 2 hectare of land.

Objection by State Governments

- They will lose out on mandi taxes if private buyers start purchasing directly from farmers.
- The jobs of millions will be endangered by the potential scrapping of mandis.

Law- 2

- The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020.
- This law will allow farmers to enter into agreements with agri-firms, exporters or large buyers to produce a crop for a pre-agreed price.
- Farmers are worried this means the MSP will be removed/no Government control over prices.
- Demand-Link MSP to contract prices.
- Farmers want that MSP should be linked with contract prices. MSP should be must for farm produce.

Law- 3

- This Bill is named as "The Essential Commodities (Amendment) Bill, 2020". This Bil proposes to allow economic agents to stock food articles freely without the fear of being prosecuted for hoarding.
- Unlimited sticking can lead to artificial price fluctuations and low prices for farmers after harvest.

❖ Demand of Famer Organizations

- These Acts are more favorable towards the companies and not legally empowering the farmers.
- Strengthen MSP- MSP to be made a legal right. Currently, procurement is not done for all 20+ crops for which MSP is declared.
- APMC reforms are needed, not its removal.
- The middleman will not go away.
- Investment in Agriculture sector must be from Government not private sector.

Farmers also want other changes such as:-

- Withdrawing the electricity usage law.
- Removing the fine from crop burning.
- Legally defining the MSP.

Overall Indian farmers want better support and representation from the government.

The history of peasant movements has gone long back to colonial times. Indian economy which was based on subsistent mode of production into the capitalistic market economy by the Britishers. The emergence of classes like Zamindars in different parts of the country was resulted from the gradual reciprocity of relations, subsistence relations gave way to more exploitative relations which was based on the notion of profit. Middle peasants, landless laborers like middlemen were created. Rural poor people were the worst affected. They protested in different parts of the country on the issues like forced labor or beggar in which the rural peasantry was involved was often brought them together. Peasants came together around a range of issues such as economic issues in the colonial period. The property rights created in the ruin of traditional handicrafts to transform the Indian agriculture by Britishers. The economic policies of British government used to protect the landlords and moneylenders and exploited the peasants. The peasant rose in revolt against this injustice on many occasions. Now it can be said that history is repeating itself. Most farming unions and bodies fear that relations like this will end up making it easier for corporations to control the pricing of farmers' products and in the long run, control the entire market with the coming of these three agricultural laws. After that only big traders and giant companies will operate in the markets and procure at incidental prices.[3]

Bihar's Agricultural Conditions after scrapped the APMC Act

APMC Act mandi system was scrapped in Bihar in 2006. The state's farmers got badly affected by this much touted reform. They have no other option than to sell their produce at meager prices to private producers. The APMC Act in Bihar was repealed by Nitish Government in 2005. Experts said that farmers have not had a favorable market for their produce for 14 years now. Yet they did not show their meager publically due to mainly lack of alertness and little unity. State's agriculture community comprises either marginal or small farmers. The protest is far low key in the state even after the introduction of these three controversial laws and amendments of Essential Commodities Act.

About 97% of state's agricultural community comprise either marginal or small farmers- those who are hardly left with a surplus to sell. Even after the Narendra Modi government at the Centre brought in three

[3] www.theindianexpress.com, A. C. Anju, "Explained: Point-by-point, why farmers still oppose the Centre's proposal to end stalemate", December 23, 2020.

controversial laws and amended the Essential Commodities Act, protests have been far low key in the state compared to several other parts. [4]

Compared to several other parts protests are far low key in the state. The new farm laws wouldn't adversely impact the farming community as per the Modi government. The conditions of Bihar state have declined. The former director of Patna based A.N. Sinha has alleged that the price of paddy is Rs. 900- Rs. 1000 which is almost half the Rs. 1868 fixed by the Center as MSP. He added that nearly half the farmers can't even recover their investments.

"Before the scrapping of the APMC Act, farmers would sell their produce to the market committees where minimum price was guaranteed. But after the repeal of this system, they indulged in distress sale lest their produce would go to waste because they had no storage facility," said economist Abdul Qadir. In Bihar over time farming has turned into a non-profitable profession. "Farmers from Bihar have now been working as laborers in Punjab and Haryana," he said.

A majority of farmers in Bihar has farming as their livelihood source. They pay education fees of their children, buy medici nes or arrange weddings for their daughters by selling their produce. They have no option than to sell their produce at a meager price to local petty traders, said Sharma, who also served as the director of Magadh Central Cooperative Bank Ltd.

Farmers would sell their paddy to local traders at low price to meet their money requirements because the Primary Agricultural Credit Society (PACS) would mostly refuse to buy citing moisture. They are further prompted to sell their produce elsewhere due to delayed payment. [5]

"In 1968-69, wheat was sold at Rs.76 a quintal while the salary of a schoolteacher was Rs.70-80. That meant a teacher would not be able to buy a quintal of wheat from his one-month salary. In the past five decades, a teacher's salary has climbed to average Rs.70, 000, but wheat price is only around Rs.2, 000 a quintal," Sharma said.

Farmers have no other way than to dispose off their goods due to lack of storage facilities. "We sold potatoes and onions roughly between Rs.8-10 per kg to the local businessmen who are now selling our produce at Rs.50 and Rs.70 respectively. This happened because we have no space to store our produce," Singh said. Kishore Jaiswal, convener of Pragatisheel Krishi Manch, said the scrapping of APMC Act in Bihar has very systematically reduced the infrastructure of market yards and a major facility to farmers to get good rate for their produce. "Farmers are just battling for survival," he said. Unfortunately it all happened in a state with a 70% engagement rate in Agriculture operations. Economic activities in Bihar are closely linked with food

[4] www.downtoearth.org.in, C.K. Manoj, "Bihar Scrapped APMC Act, mandi system 14 years ago; here's what it did to farmers", 07 December, 2020.

[5] www.downtoearth.org.in, C.K.Manoj, "Bihar scrapped APMC Act, mandi system 14 years ago; here's what it did to farmers", 07 December, 2020.

and agricultural development for its important link with nutritional security as reported by Bihar economic survey. Along with generating food supply, employment opportunities, improvement of livelihood and alleviation of poverty is also generated.[6]

India has about 11 crores farming households. Less than 1 hectares of land is owned by 67% of these. In Punjab 50 quintals of wheat is produced in 1 hectare but in badly irrigated zones in Uttar Pradesh it is only 35 quintals per hectare. A farmer in Punjab and UP will earn Rs. 1 lakh and Rs. 70,000 respectively at today's MSP in wheat producing season, as calculated by Government the cost of producing wheat it is in UP. So the farmers of Punjab and Haryana will earn a profit of Rs. 35000 and Rs. 15000 respectively. In Punjab about Rs 6000 per month is made by a family with less than 1 hectare of land. While just Rs. 1250 monthly will be earned by the small farming household in UP and that too even if the farmer managed to get the MSP announced by the government. Only about 5.8 of agriculture households in India were able to access APMC mandis and get MSP for their produce as reported in Shanta Kumar Committee. In 2015, the National Commission for Agriculture had recommended that there should be a regulated mandi for every 80 square feet 16 years ago but the current average in 2017 was 1 mandi/434 square km. there is one mandi per 118 square km even in a well-covered state like Punjab. Higher MSP that gives 50% more than the 'comprehensive' cost of production subsidized inputs, public investment in rural infrastructure, and more mandis across the country and easy credit from institutional sources are the answers to kisan problems. It is a political chice that the decision of government to let corporates solve Indian agricultural problems. [7]

The MSP Conundrum

Though the Bihar did retain the MSP for crops which would be procured by the state for its Public Distribution System, it is turned into a nightmare for farmers by poor implementation of PACS. The working of bodies created to procure food grains from farmers did not work as expected.

Although Bihar did retain the MSP for crops would be procured by the state for its PDS, poor implementation of Primary Agriculture Cooperative Societies or PACS, turned into a nightmare for farmers. These laws neither guarantee the reasonable price for their produce nor did they take the produce at the right time. Farmers told the research team "procurement operation is limited to a certain amount and time, and these restrictions are considered to be highly arbitrary". When there is glut in market, PACS do not procure wheat at the time it should which results in the farmers getting unfair or lower price. Reportedly even PACS the farmers are given much lower price than MSP and timely payments are not made even after the sale. According to farmers the most crucial restriction in the agricultural output expansion is the non-availability of fair price. [8] Scrapping of APMC Act in Bihar has led to conversion of small and medium sized farmers

[6] www.downtoearth.org.in, C.K.Manoj, "Bihar scrapped APMC Act, mandi system 14 years ago; here's what it did to farmers", 07 December, 2020.

[7] Ch. Aunindyo, "MSP must help farmers get out of debt", 3 October, 2020.

[8] www.thelede.in, R. Sandhya, "The Bihar Model of Agriculture & why it failed", 26 September, 2020.

into agricultural landless labor as is evident from the fact that large number of small farmers are migrating to Punjab in search of work.

Relationship between APMC, MSP and Food Corporation of India (FCI)

There is direct and indirect relationship among APMC, MSP and FCI. APMC is the government settled market that procures farmers at Minimum Support Prices. Agricultural production bought by Government, store in the godowns that constructed by Food Corporation of India. Now we will explain their working term by term. Firstly, FCI was formed in 1960. The main objective of the establishment of the FCI was to provide food for poor and also to procure the poor farmers and fulfill the demand of foodgrains at the time of natural calamity. FCI is the government agency that manages the procurement distribution of foodgrains. It was set up under the Food Corporation Act, is responsible for procuring foodgrains at Minimum Support Prices, storage and maintenance of adequate buffer stock, and distribution through the Public Distribution System. [9]This institution was part of larger plan directed toward food security and self-sufficiency. This institution along with MSP and Public Distribution System were expected to work in tandem. FC I's responsibility was to procure, store and discharge gains as per the policy of the government.

FCI is badly hamstrung: even as its Rs.1.95 lakh crore bills to the government remain unhonoured and a debt crisis is looming, it hasn't yet got the nod for liquidating its patently surplus gain stocks through massive Open Market Operations (OMOs). According to official sources, FCI's gain stocks (central pool stocks built up under a virtually open-ended procurement policy) are already close to its capacity of 76 million tonnes. Over three years in a row, the fiscally stressed Centre has made FCI take National Small Saving Fund (NSSF) loans under sovereign guarantee to ensure the corporation's operation are not disputed. However, the Centre's dues to the FCI have now touched an all-time high and FCI is being made to borrow more from NSSF.[10]

The FCI, which has no income stream of its own and is completely reliant on the union government to meet its debt obligations, gas seen its debt levels zoom to Rs. 2.65 lakh crore in March 2019, up from Rs. 91,409 crore in March 2014- an increase of over 190 per cent. The debt levels started increasing sharply in 2016-17, when the government resorted to giving loans to the FCI from the National Small Savings Fund to fill the gap between the actual food subsidy the government should have provided for in the budget, and what it actually did, on account of fiscal constraints.[11] With the implementation of these new agricultural laws, when the farmer will have the freedom to sell his crop anywhere and to anyone, big companies will

[9] www.theprint.com, N. Remaya, "In 5 years of Modi rule, Food Corporation of India's debt tripled to Rs. 2.65 lakh crore", 07 October, 2019.

[10] www.financialexpress.com, "FCI face serious storage problem in a few weeks, here's why", 13 January, 2020.

[11] www.theprint.com, N. Remaya, "In 5 years of Modi rule, Food Corporation of India's debt tripled to Rs. 2.65 lakh crore", 07 October, 2019.

dominate the sector, subsequently the FCI' role in the market will be reduced and perhaps the Central Government may kiss it goodbye like many other companies. [12]

Now at that time farmers object that demand for MSP is not well placed. If private players decide that they will not buy at MSP and rather import agricultural produce, and FCI decide not to procure farm produce for various reasons, where will the farmer sell? The government may create a situation where farmers would not be able to sell at all. On the other hand, when the government is trying to liberalize and open market to encourage private buyers, then it can't, at the same time, mandate at what price they should buy.[13]

[12] www.gonewsindia.com, G. Rahul, "FCI's debt mount to over Rs. 3 Lakh crore, will the govt. sell it too?" 23 September, 2020.
[13] www.theindianexpress.com, "Farmers' apprehension about role of mandis, terms of procurement under new laws need to be addressed", S. Sukhpal, 03 December, 2020.

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