IMPACT OF FARM REFORMS ON VARIOUS STAKEHOLDERS

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Abstract
The farm reforms 2020 are a move towards neoliberalism in the Indian farm sector. Allowing of contractual farming, possible disbanding of Minimum Support Price (MSP), encouragement to private competitive trading outside the Agricultural Produce Market Committee (APMC) area are all indicative of the transition of the Indian farm sector towards free markets. The reforms have unleashed a Pandora’s Box of debates regarding their outcome and impact on various stakeholders. This study takes an aerial view of the plausible aftermath on various stakeholders’ vis-à-vis farmers, government, agents, and machinery of APMC, consumer and, corporates entities.


I. INTRODUCTION
On 27th September 2020, the President of India gave assent to the farm bills (now laws) amidst widespread protests. The protests are mostly over the presupposition that:

a) The reforms are unfriendly for the farmers and detrimental to their survival;

b) They favour the private corporate entities and are creating an environment for their smooth transition in the Indian farm sector;

c) Minimum Support Price (MSP), that so far was a safety net for the farmer in the marketing of his produce, may be done away with.

The study aims to analyze the above presuppositions and provide logical opinions on the impact of the reforms.

II. THE THREE FARM ACTS
A brief guide to the contents of the farm laws:

The Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020
The Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 consents to intra-state and inter-state trade of farmers' produce which can be beyond the physical area of Agricultural Produce Market Committee (APMC) markets with the state governments prohibited from levying any market fee, cess or levy outside APMC areas.

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020
The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020, allows for contractual farming between a farmer and a buyer through an agreement prior to the production or rearing of any farm produce. In case of any dispute between the two, it provides for a three-level dispute settlement mechanism: the Conciliation Board, Sub-Divisional Magistrate, and Appellate Authority.

The Essential Commodities (Amendment) Act, 2020
The Essential Commodities (Amendment) Act, 2020 allows the central government to regulate the supply of certain food items only under extraordinary circumstances (such as war and famine). It has removed cereals, pulses, oilseeds, edible oils, onions, and potatoes from the list of essential commodities. Stock limits may be imposed on agricultural produce only if there is a steep price rise which is a 100% increase in the retail price of horticultural produce and a 50% increase in the retail price of non-perishable agricultural food items.

III. OUTCOME OF THE THREE ACTS

- The first law, The Farmers Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 allows:
a) Free mobility of farm produce from one area to the other area (the objective specified as mobility from surplus areas to deficit areas)
b) Creating a national market
c) By allowing trading in tax-free mandis outside the APMC yards, dilution of APMC mandis will take place

- The second law, The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 allows:
  a) Farmers to contract with large buyers, exporters, and retailers
  b) Price will be assured before sowing

- The third law, The Essential Commodities (Amendment) Act, 2020 allows:
  a) Stocking of farm produce by private entities/traders
  b) Private investment in storage and warehousing
  c) Creating of supply chains in the agricultural sector with private sector intervention

IV. CONTENTIOUS ARGUMENTS

Analysing the contents of the laws, there certainly seems to be ambiguity on the claims made by the government while proposing the reforms. The laws give rise to the following contentious arguments:

a) APMC will gradually be done away with: In competition with APMC yards are the tax-free mandis that have been permitted outside the APMC area. These will be obviously preferred for the marketing of agri produce by the farmer, agent, and entities. APMC are those marketing yards where the State Governments earn revenue at the time of marketing of farm produce. For State Governments like Punjab and Haryana, these revenues are significant. As per the data from Punjab Mandi Board (PMB), in 2019-20 the Government earned Rs 3,642 crore from market fee and Rural Development Fund (RDF). The taxes are paid by the buyers and not the farmers. This revenue is a substantial help to the State Government to meet expenses like building and maintenance of roads that link the rural areas. In the aftermath of the laws, this revenue source is likely to be severely affected in the background of depleting public treasury of the states due to lockdowns and with Central Government not in a position to pay the Goods and Services Tax (GST) share of the states. The law economically weakens the federal functioning of the states. In India’s federal structure, the agricultural sector is mostly in the jurisdiction of states. Therefore the state should have been consulted which has not happened. Further, there is no compensation to the State Governments who are likely to lose this revenue.

b) There is no mention of MSP assurance in the laws. This leaves room for the exploitation of farmers, especially the small and marginal. Even if the administration argues otherwise, there is a strong likelihood of gradual elimination of MSP.

c) The entry of the rich and powerful corporate entities, with strong bargaining power, is likely to dominate the Indian agricultural marketing scenario. Private corporates in all probability will dominate the decisions in crop production under contractual farming. Empirical pieces of evidence of contractual farming in India like Pepsico have eclipsed the model, besides the rich and large farmers of Punjab having already voiced their disapproval with regards to the same.

d) Crop price will be decided before sowing, which can be more or less than the actual market price once the crop matures. This will give rise to stocking, hoarding, and speculative trading of farm commodities that the average small farmer is unprepared for.

e) The barrier-free inter and intrastate trade is debatable since the Indian rural sector is devoid of or has inadequate pucca roads, storage facilities, communication networks, and rail connectivity.
V. IMPACT ON VARIOUS STAKEHOLDERS

- Farmers
According to the 10th Agricultural Census, 86.2% of farmers in India are small and marginal with less than two hectares of land. In 1966 MSP was introduced in India to secure farm income, especially of the small and marginal farmers. Ambiguity on MSP in farm laws 2020 is avoidable since the average Indian farmer even today is poor, practices mostly subsistence farming and has weak bargaining power for his minuscule farm surplus. The argument that the farm reforms 2020 will provide these farmers a price higher than MSP in open markets is therefore questionable. The proposed reforms are likely to hit the small and marginal farmers with a double-edged sword. On one hand, uncertainty on MSP will result in their exploitation by private agents and entities and on the other hand, the benefits of contractual farming are doubtful since it may give rise to the leaning of contractual rights in favour of the powerful private entities.

- Government
Over time the government has bled its resources in procuring crops at MSP. The government’s expenditure has been building with the farmers’ failure to sell at MSP and subsequent burden on the government to procure the crops at MSP. Since the laws do not assure the procurement of crops at MSP by the government, it is likely to relieve the government of this obligation and contain the bleeding of its resources. Despite assurances from the government, the reforms may see the government dissolving its obligation to support farmers, on the lines of recommendations given by the Commission for Agricultural Costs and Prices (CACP). The Commission recommended allowing private players in farm marketing to relieve the government from draining its resources in open-ended procurement amidst rising MSPs. Besides, in recent years shifting of the Centre’s procurement burden on Food Corporation of India (FCI) saw FCI’s subsidy bill on food procurement doubling, especially in crops like wheat, with the corporation getting engulfed in the vicious circle of debts. With buffer stocks at more than the optimum level, government stands to gain with the entry of private parties since it can now absolve from its obligation to offer MSPs for the procurements.

- Agents and Machinery of APMC
The argument that agents and machinery of APMC are the farmers’ nemesis has cleared the path for the entry of private entities in agriculture marketing. There is no clarity on who these new private entities are that will operate and compete against the traders in APMC yards. In all probability, a large chunk of these will be the same functioning within the APMC yards. Besides the very agents, sans a regulated environment of APMC yards, may function freely and perform better in cost-price configuration with tax bonuses in mandis outside APMC yards and freedom from paying MSP.

- Consumer
If the outcome is as shown by the government and prices higher than MSP are to be paid, food inflation in the times ahead is a certainty. Corporates and private entities may emerge as the deciding market players with price cartelling, lobbying, and controlling of retail food prices. With the demand for food and agricultural produce being relatively inelastic, privatization and free markets may lead to rising food inflation even in a bumper crop season. The safety net for the poor may weaken, the reason being Public Distribution System, MSP, and Public Procurement are all interlinked. With about 22% of the Indian population still below the poverty line, it may become a tragedy for the vulnerable groups and the average Indian consumer.

- Private Entities
The new entrants, corporate entities, stand to gain in the emerging scenario with no obligation to pay MSP along with the additional support of tax bonuses on new marketing turfs. Further, contractual farming is likely to swing the pendulum in their favour since the atmanirbar environment will provide them with the independence to control the nature and price of produce manufactured by the farmers, especially of the small and marginal ones. Also, e-marketing of food produce may see the introduction of new marketing models by prominent e-market players, allowing them to control the farmers, kirana stores, and small traders. And in the absence of a model contract draft that supports the farmers and serves as a benchmark for contracts between large private entities and the farmers, the outcome in case of conflicts may swing in the favour of private entities based on the empirical evidence of Pepsico in Gujarat and Punjab.
VI. CONCLUDING REMARKS

The success of farm reforms, like the contractual farming, remains highly doubtful with the average Indian farmer even today being wary of new methods and practices in farming. The best example of this is the failure of cooperative farming in India. The main cause for the failure is the distrust among the neighbouring farmers. In the given circumstances trusting the corporate entities and entering into contractual farming will involve taking a blind leap of faith which the average farmer may not embark on.

There is a strong likelihood of the reforms not picking up and contrary to the positive effects, the ambiguity on certain issues, as mentioned above, may create confusion, uncertainty, and conflict in the farm sector that at this point is best avoidable with the nation’s economy in distress. The agriculture sector is the solitary reaper that has shown positive growth in the first quarter of FY 2020-21 in the adversity of the country’s GDP contracting to -24%. Risks in policymaking in this sector should have been initiated when the fundamentals and expectations of the overall stakeholders were positive.

Instead of the many unwanted attributes and ambiguity in the new farm laws, welcome would have been efforts towards consolidation of fragmented holdings, surety of MSP, and a model draft in case of contractual farming. There is a pressing need to bring specific amendments in the nascent stage itself.

Firstly, it is highly recommended that MSP is assured, by including the same in the Act, for the small and marginal farmers with less than 2 hectares of holding since it is highly doubtful that this group is equipped to become atmanirbhar in a cut-throat competitive arena. ‘The call for atmanirbhar conflicts with the call of welfare for this group. ‘Sab ka vikas’ needs to be connected with ‘gair ke sath’.

Secondly, customized problems require customized solutions. The farm laws should have customized farm issues within the agricultural sector. Drawing a uniform model is a fallacy since a separate lens is required to study agricultural issues. India cannot have one nation one agriculture policy. The circumstances differ from state to state and within the states in different districts. According to the latest National Crime Records Bureau (NCRB) data, 10,281 farmers committed suicide in 2019 as a result of farm distress. In a backward region like Vidarbha, where farm suicides are high, over 7,700 farmers have committed suicide in six years with 1,286 in 2019 from January to December. There are districts in Vidarbha where the farmer struggles even for subsistence farming. Farm reforms and policy models must be compartmentalized as per the size of the farm and specific to crops. Distressed farm regions like Vidarbha should be given a safety net of MSP along with handholding by the government in creating special warehouses and marketing yards close to the place of production.

Thirdly, a model of contractual farming needs to be framed that provides support and strength to the small and marginal farmers in case of disputes, by involving and defining the role of village Panchayats and Gram Sabhas.

VII. REFERENCES

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