

REFORMS WITH THE FUTURE AND FARMING NEEDS IN MIND

Relevant for: Indian Economy | Topic: Agriculture Issues and related constraints

The major objections and fears relating to the new Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act and the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act (<https://bit.ly/3mPmCBD> and <https://bit.ly/34Ov7H6>) are that the Agricultural Produce Market Committees (APMC) will be eventually closed, the Minimum Support Prices (MSP) will be stopped, corporates will take over agriculture trade, and farmers' land will be taken over by powerful corporates.

Some experts and farmer leaders feel that these apprehensions and fears are imaginary, unrealistic and a part of deliberate narrative created to stop reforms in agriculture and prevent India from modernising agriculture and becoming a global power in agriculture. Those who oppose these Acts have focused mainly on threats and adverse effects and refrained from talking about the potential benefits of the new Acts; they are also ignoring the reasons for changing the regulatory system of agriculture. Another set of reputed experts such as Kaushik Basu have reiterated their support for changing archaic laws in agriculture but opposed the new Acts.

There are quite a few major reasons for undertaking the reforms in agriculture (<https://bit.ly/3nYjqVN>). The gap between the agri-income of a farmer and that of a non-agriculture worker increased from 25,398 in 1993–94 to 1.42 lakh in 2011-12. There is widespread feeling of agrarian distress. Aggregate food demand has fallen short of domestic production necessitating the export of a large quantity to prevent domestic prices from falling very low. We are already sitting on excess stock of 60 lakh tons of sugar and nearly 72 million tons of extra buffer stock of wheat and rice which is causing a huge drain on fiscal resources.

India's agri-exports are getting difficult to push, imports are turning attractive as domestic prices are turning much higher than international prices. Rural youth including farmers' children are looking for jobs outside agriculture and there is a serious problem of unemployment in the countryside. There are numerous instances of market failure to the detriment of producers and consumers. This is turning farmers to look at the government for remunerative prices through MSP for most agricultural products.

Indian agriculture production and the market are not moving to the next stage of development. The growth rate in agriculture is driven by heavy support through various kinds of subsidies and output price support. Net revenue receipt of the Central government is below 9% of GDP. If farmers are to be ensured remunerative prices for their produce through procurement at MSP, as per the demand put up by the protesting farmers, these costs and losses and subsidies will take away most of the tax revenue of the central government. Such facts need to be shared with the farmers' leaders. I do not think they will ask for something which will lead to a collapse of the fiscal system of the government.

The way forward then for ensuring remunerative prices to farmers is through increased competition for sale of their produce, development of modern value chains, value addition, export, and processing as a part of rural economic revitalisation.

There is also a need to understand that the APMC has nothing to do with payment of the MSP. Crops other than paddy, wheat and cotton are selling at prices below the MSP in the APMC

mandis of Punjab on an almost regular basis. The necessary and sufficient conditions for the MSP are procurement by the government, with or without the APMC.

Experience shows that even after fruits and vegetables were de-notified from the APMC, they continued to arrive at APMC *mandis* in large quantities while farmers got additional options. The threat to the APMC comes from the action of States to use these *mandis* for extra revenue generation. The protesting farmer leaders have raised a genuine concern to keep the level-playing field for the APMC and private players, and the Agriculture Minister has shown agreement to address this fully.

Another provision of the New Trading Act under attack is the simple requirement of a PAN card for a trader. Protesting farmers favour stringent criteria and registration for traders in a trade area. As in the existing provisions, after having a PAN card, even a farmer can go for trading, his son can do agri-business and other rural youth can undertake purchases of farm commodities for direct sale to a consumer or other agribusiness firms. If a stringent criteria such as bank guarantee, etc. are included in the registration of traders then agriculture trade will remain in the hands of the trading class and the spirit of the new law to facilitate farmers and rural youth to become agribusiness entrepreneurs will be lost.

The experiences of contract farming which is already going on in various pockets in India show the critics and protesting farmers are mixing contract farming with corporate farming. The new Act intends to insulate interested farmers (especially small farmers), against market and price risks so they can go in for the cultivation of high-value crops without worrying about the market and low prices in the harvest season. The Act is voluntary and either party is free to leave it after the expiry of agreement. It prohibits the farming agreement to include the transfer, sale, lease, mortgage of the land or premises of the farmer. The Act will promote diversification, quality production for premium price, export and direct sale of produce, with desired attributes to interested consumers. It will also bring new capital and knowledge into agriculture and pave the way for farmers' participation in the value chain.

The policy reforms undertaken by the central government through these Acts are in keeping with the changing times and requirements of farmers and farming. If they are implemented in the right spirit, they will take Indian agriculture to new heights and usher in the transformation of the rural economy.

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