Source : www.thehindu.com Date : 2021-01-06

SHOCK TREATMENT WILL NOT WORK IN AGRICULTURE

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

Almost all sections of people including farmers agree that the Agricultural Produce Market Committee (APMC)-*mandi* policies for agricultural marketing, initiated in the 1960s for a few crops, have outlived their utility and the system needs a new policy in the face of the agricultural sector's growth slowdown, the crop-composition not widening, and investments in land not happening.

Recently, the government of the day has opened up the output market with the aim to let market forces improve efficiency and create more value for farmers and the economy. These laws state that farmers are now free to sell all their products anywhere and to anyone beyond the physical premises of APMC markets. Additionally, the laws promote contract farming through establishing partnerships between farmers and food-processing companies, and also permit unlimited hoarding of food except in special circumstances.

Three main suggestions were put forth by farmers when we recently made enquiries with them: one, their produce prices should be the cost of production plus a reasonable mark-up; two, fluctuations in prices should be minimal; and three, there should be little or no interface with legal or administrative officials — they are not comfortable dealing with the "*sahibs* and the police". All these farmer concerns have been ignored in the way the current laws are drafted. Additionally, as the old laws are being repealed, they said that there is a need for a wider view of the sector to include more crops. Thus, if the government encourages farmers to move from wheat to vegetables, markets for the latter should address all the above three aspects.

The first law of the Minimum Support Price-*mandi* is a known devil, but the new markets will be an unknown ghost with no control over them by anyone. Thus, while "malpractices" in *mandis* are known and local leaders (Members of Parliament, Members of the Legislative Assembly, panchayats) are often brought in to vent farmers' anger or arbitrate in difficult situations, malpractices in the new systems are neither forecast-able nor is there any authority to report to. Next, while the government says that the *mandi*-MSP system will continue, the question is, for how long? If the alternative traders offer better prices, farmers will go there and not to the mandis (as is already the case, highlighted in the recent media article by Gurcharan Das; https://bit.ly/3928m3R). What happens after two to three years when the regulated *mandis* become weaker or begin to shut down due to lack of business?

There are many issues here. Traders could reduce the prices on more than one pretext, such as finding faults with the product; declining to buy on the pretext of glut (a wait and watch strategy); defaulting on payments, and so on. Since traders are few (at least locally) they can form cartels, while farmers many: this is imminently possible. The farmers are further handicapped by the fact that they come from long distances with loads of several quintals/tonnes of produce on hired tractors; going back owing to the transport cost incurred is not an option for them. Their situation worsens when their cash needs are immediate, which is the case for the small farmers who constitute 90-plus% of those who sell at the *mandis* at MSP.

The second law has somewhat similar issues. The corporate-buyers might just not buy the full quantity of the product on one or another pretext or delay payments;and if farmers complain, the corporates have access to a battery of lawyers, the fine print in contracts, the advantage of language, and, above all, the capacity to wait it out.

In both the above cases, the problem is of contracts between unequals: whether it is traders or corporates, they are far fewer and with deeper pockets,and they will deal with (poor/little-educated) small farmers (about 85% have two or less hectares of land), resulting in unequal outcomes.

The other issue is in regard to different regions and crops. Many proponents of the agri-marketing laws maintain that farmers from outside the wheat-rice belts in northern India are not protesting. Evidently so, since the country is diverse with some 15 agroclimatic zones and has over 50 crops grown.

We also forget that farmers protest against policies in areas where they hail from: like in eastern India, farmers revolted in 1860 against indigo-farming, Mappilas revolted in 1921, or even the Warli Adivasi Revolt of 1945. More recently, in the 1970s to 2010s, Sharad Joshi led agitations for the farming sector mainly in Maharashtra, or farmers in Tamil Nadu had protested demanding Cauvery water. There are many more examples. Farmers protest against problems that affect them: they are not a homogeneous lot.

If in 2020 a new policy is being formulated, why is it (ironically) uniform for all farmers, all land and all crops, of opening up the markets; markets which are almost fully opaque, unequal and having imperfect information? What happens to the semi-arid areas and the farmers therein, where crop outcomes are uncertain? What happens to small and marginal farmers who have little to market and are largely inarticulate? How will risk be mitigated if farmers move from wheat-rice cultivation to more volatile crops such as vegetables and fruits, or pest-prone crops such as cotton? Or what happens to landless labourers who have migrated from far away to work in fields (such as from Bihar to Punjab)? Should there not be a comprehensive policy in regard to the agricultural sector rather than a “shock treatment” for agri-markets alone?

The so-far neglected problem of stagnation and high input prices in agriculture can be addressed through a systematic approach proposed in the M.S. Swaminathan Commission and/or the Ashok Dalwai Committee. Typical examples are transitions being worked out for farmers to move out of water-soaking paddy crop in Punjab-Haryana to other crops; say, in five years, they would reduce the area under paddy by 25-30%, and the loss they incur in the short run, will be compensated for by the government. This could, for example, also be done for sugarcane in western Maharashtra.

Shock treatments do not work anywhere, be it agriculture, industry or the economy. Many an industry, post-1991, shut down due to “shock treatment” then, resulting in a second de-industrialisation and the loss of hundreds of thousands of industrial jobs. The results in agriculture are likely to be no different in the face of shocks.

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To reassure Indian Muslims, the PM needs to state that the govt. will not conduct an exercise like NRC

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