

THE THREE FARM LAWS WERE NEVER A SOLUTION

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

The recent announcement by the Prime Minister that the Union Government would seek to [repeal the three Farm Laws](#) in the winter session of Parliament has prompted diverse reactions. On November 29, the first day in Parliament, the Farm Laws Repeal Bill was [passed in the Lok Sabha without discussion](#). These laws are the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020; the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020, and the Essential Commodities (Amendment) Act (ECA), 2020. Regardless of how this specific step is viewed and the motivations attributed to it, the prolonged protests by farmers and extended impasse offer a rare teachable moment for policy making for Indian agriculture.

To recall, the three laws each intended to remove constraints on buyers to stock, contract and purchase agricultural commodities. Whereas the Essential Commodities (Amendment) Act, 2020 (ECA) was largely the prerogative of the Centre, the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 governing contract farming and the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 (henceforth, the APMC Bypass Act), focusing on the public regulated markets were hitherto issues that were under the State-level Agricultural Produce Marketing Committee (APMC) Acts, therefore under the purview of the States.

The most troubling aspect of these laws was the way they were written and passed. First, little is known to the public even today on who authored these laws or who was consulted before their introduction as ordinances.

Second, these were passed in Parliament in haste by voice vote, in what is viewed by experts as a violation of established procedures. That Acts with serious ramifications for States should be passed without deeper discussions even within Parliament, let alone with specific inputs from stakeholders and experts, is bewildering. Attempts by some to deflect such criticism by noting the long history of discussion on agricultural market reform only serves to shine a light on the departure from such a tradition in the case of these three laws. Such opaque processes increase the likelihood of poorly framed laws; indeed, many critics have pointed out serious flaws in these laws.

Crucially, the APMC Bypass Act mandated that States can only regulate, via their respective APMCs, designated physical premises called the 'market yards'. Via this Act, the Centre essentially wrested control of market areas outside these yards, now called 'trade areas', from the States. The dominant popular narrative was that the Centre was doing what the States had failed to do, i.e., free agricultural trade from the clutches of the APMCs, an idea that finds support in the Economic Survey 2014-15.

Yet, perversely, the APMC Bypass Act particularly hurt States that had the most deregulated systems. A State that had no APMC Act, for example, suddenly found that all deregulated areas within the State would now come under the Centre's regulatory ambit and control, subjecting private players hitherto operating freely in a deregulated environment to the regulations of a whimsical Centre. Further, by absolving private players from adhering to any State law in agricultural marketing, it effectively nullified the power of States to shape the nature and functioning of agricultural markets.

Such transfer of regulatory authority from the States to the Centre might in principle be justified if

there was systematic evidence to suggest that the Centre was better informed and better equipped to regulate agricultural markets. Here, the Centre's own actions following the three laws do not inspire confidence. For example, barely weeks after the ECA was amended, the Centre imposed restrictions on stocking, in October 2020 for onions and July 2021 for a range of pulses, apparently undermining the purported spirit of the reformed ECA it championed.

Our analysis of COVID-19 lockdown management in the agricultural sector too found that the Centre was always a step behind, implementing relief measures for agricultural marketing reactively rather than proactively. In contrast, States, regardless of the ruling parties, offered a more timely, relevant and nimble response to manage the fallout of the COVID-19 lockdown on agriculture. Beyond agricultural marketing, the central government's efforts in the past such as One Million Ponds, 10,000 FPOs and One District One Product are often disconnected from local needs for robust and sustainable solutions for agriculture.

Another key concern is that to the extent that these Acts enable centralisation of authority to influence the functioning of trade areas, this would facilitate consolidation of big business, a trend that is evident globally. The underlying premise of these three Acts was that freedom to operate in agricultural markets would attract capital-rich private players to a sector in sore need of rejuvenating investments; and that the proliferation of efficient value chains and competition would enable benefits to be passed on to the farmers in the form of higher, and perhaps more stable prices.

While it is hard to disagree with the purported goal of these Acts, many critics question the premise itself, pointing out that it was naive at best, and insidious at worst; the Acts in fact load the dice in favour of corporates with deep pockets who would now use this freedom, not to compete but to sidestep competition to gain control over supply chains at the expense of the farmer. Global evidence based on data from 61 countries between 2005-15, after all, suggests that farmers receive, on average, just 27% of consumer expenditure on foods consumed at home, the share falling significantly as national incomes rise.

These fears of consolidation have been further stoked by recent memoranda of understanding that the Government of India has signed for building data stacks with Cisco, Jio, ITC, NeML, Ninjacart, Microsoft, Amazon, ESRI India Technologies, Star Agribazaar and Patanjali Organic Research Institute. While claiming to not involve private sector players, these select few have been granted limited access to "data from the federated Farmers' database" for specific areas. This, it seems, might be the thin edge of a wedge. A "trade" area under full control of the central government would potentially offer big business a digital data consolidation route to controlling supply chains.

The solution to the many problems of Indian agriculture and of Indian farmers was never going to be solved by the three farm laws, even within the realm of marketing. Nor is the repeal of these three Acts going to reverse or slow the rapid growth of private players in agricultural marketing in the past two decades, as seen by the 2019 Situation Assessment of Agricultural Households in India.

The agricultural marketing space has seen significant reform in many States in the past decade, even if such reform has happened at a leisurely pace and often piecemeal in its approach. While the Centre has the capacity to make landmark changes, true reform and action rests with local governments. States are better placed to assimilate and respond to the diversity of institutional and socio-economic contexts and agroclimatic regions. They are often better placed to incorporate local concerns for robust and sustainable solutions.

The central national challenge is that different States have different regulations and a different

pace of reform in part due to the political stakes involved in tackling trader collusion in these markets. States need to go back to the basics and to the suggestions that many expert committees have proposed for agricultural market reform — for a start, delinking the regulatory and operational roles of the APMCs. The Centre for its part should turn its attention in the short term to offering a stable and predictable policy environment *vis-à-vis* imports and exports, the functioning of national commodity exchanges and futures markets, and providing inclusive platforms for discussions on State-level market reform, public procurement and price support, designing safeguards against consolidation of corporate interests and framing data policies.

Sudha Narayanan is Research Fellow, International Food Policy Research Institute, New Delhi. The views expressed are personal

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