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WILL THE FARM BILLS BENEFIT FARMERS?

Relevant for: Indian Economy | Topic: Transport & Marketing of agricultural produce

Labourers sort onions at Azadpur Mandi, a major market of the Agriculture Produce Marketing Committee, in New Delhi. File | Photo Credit: PTI

Three farm bills — the Essential Commodities (Amendment) Bill, the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill (commonly referred to as the APMC Bypass Bill), and the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill — were cleared by Parliament amid protests from the Opposition. Sudha Narayanan (Associate Professor at the Indira Gandhi Institute of Development Research) and Arindam Banerjee (Associate Professor at the School of Liberal Studies at Ambedkar University) discuss the implications of the controversial Bills in a conversation moderated by **Vikas Dhoot**. Edited excerpts:

Sudha Narayanan: Sometimes we say, 'Be careful what you wish for, you may actually get it'. These Bills represent fairly important changes in marketing regulation and are what many were asking for because of the flaws in the APMC [Agricultural Produce Market Committee] system. But at the same time, they are worrying for two reasons. The first is in what they say. The Bills have lacunae: lack of regulation, regulatory oversight and reporting. They're somewhat non-transparent. The second is what they do not say. You can't have marketing Bills that are devoid of the larger context of State intervention in agriculture, and agricultural policy.

Will the farm bills give farmers a choice? | The Hindu Parley podcast

Sudha Narayanan: The APMC bypass Bill is the most controversial. This Bill actually assumes that private players don't exist today and the APMC is a monopoly. That is a flawed assumption. Private players actually look to the APMC for a reference price to conduct their own transactions.

Now you're trying to create an alternative that's outside the APMC, which is on advantageous terms where you don't have to pay mandi fees or taxes. This could result in two perverse consequences. One is that the APMC continues to set the reference price. That makes no sense because if your private players are still looking to the APMC for a reference price, then your idea of getting rid of the inefficient APMC doesn't hold. Large-scale trade outside the mandi is bound to happen because new players will prefer to trade outside the mandi because they don't have to pay charges. APMC traders too might now prefer to operate outside the mandi for the same reason. So, if the APMC system collapses, then this Bill hasn't envisioned any alternative for a large market that can actually set price signals. So, instead of unifying the national market, you could actually have little bargaining islands where people are just setting prices. This might undermine farmer interests. And in that new trade area, there is no regulation, no data, transactions are invisible. In the current APMC system, even with its flaws, at least there is some recording and grievance redressal. The current Bill leaves too much to the benevolence of private players to give fair terms to the farmers.

Also read | Read farm Bills before stoking fears that farmers will suffer: Jal Shakti Minister tells Opposition

Arindam Banerjee: Private trade in agricultural commodities is not something new in India. At the same time, the justification for these Bills at this point of time is primarily, I think, to facilitate bigger private players into the farm sector. There are several reasons for that. The government's

justification is hinged on farmers getting better prices for their produce because they are going to get greater choices. Now, the farmers, at least the big farmers, and net surplus producers don't seem convinced. The reason is that market prices or farmers' incomes are not simply dependent on the market structure. Farmers' organisations are concerned that other demands are being ignored, particularly during this difficult economic situation. Market prices are sluggish because demand is sluggish. Farmers' incomes are actually seeing a period of stagnation. The other concern for farmers has been growing input costs. Farmers have been squeezed between rising costs of cultivation and sluggish prices. These concerns need interventions from the government in the form of subsidies or procurement. There is MSP [Minimum Support Price] and procurement but one major concern is that certain policy documents were presented before the government earlier, which talked about replacing the Food Corporation of India (FCI) and PDS with cash transfers.

What might happen as a result of the facilitation of big players into the farm sector is that some farmers will get better choices and big farmers will actually start selling to the private players. There is a possibility that the importance of the APMC and the procurement system will actually wither away over time. And that concerns everybody.

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Sudha Narayanan: Internationally, we've seen cartels. The French dairy producers and the dairy farmers' co-operatives in the U.S. have become huge players. A lot of buyer cartels fix the price, and that's one of the reasons the EU and the U.S. are taking a hard look at their own supply chains to reduce the power of consolidation.

In India, it's going to be less predictable, because big players themselves want to minimise costs. The traditional marketing channels are very resilient… if the farmer goes to a trader, it is for multiple reasons, not just the sale of crop. The trader extends credit, has a deeper relationship of trust and he will take all kinds of quality. The farmer runs a lot of risks dealing with the big players. It's not a given that the big players will come in, set up shop and crowd out other players. But if they manage to get a place, there are two ways in which I have seen them operate. One is to try to crowd out competition and the other is to co-opt them. Big businesses are well positioned to interact with a lot of farmers because they have the field staff. But eventually, many of them end up co-opting farmer cooperatives or anybody who's able to aggregate produce for them. So, though we keep saying that these Bills will facilitate direct transactions with farmers, what we are seeing is not dis-intermediation, but re-intermediation. Companies will find that it's too expensive to work with a large number of farmers and look for intermediaries who will aggregate produce for them.

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Arindam Banerjee: If you look at the global experience, corporate food markets are all about monopolies or duopolies. So, we can expect that to happen. But what I'm more concerned about is this: private trade in agricultural commodities has existed for several years in India, so what is the new usefulness from the perspective of big capital? Pepsi has been in the potato value chain and there are several other examples of contract farming. I think the new thrust area is the grain trade in India and that is where procurement by the government happens. I think global corporates are eyeing the grain market. With more than 90 million tonnes of foodgrain in our stocks, it is clear that there is a massive market to play around with, only if there is a relative shift of weight from government regulation to private players. Even with the pandemic measures, the stocks have not reduced. The pandemic has caused massive disruption of jobs globally. Consequently, it has caused a massive disruption for capital and profits as well. Agricultural goods have suffered less because these are necessary items in consumption baskets. There is

less chance of revival of demand of industrial goods and services to pre-pandemic levels in the near future. This is why big capital is trying to move into the agricultural commodity trade on a bigger scale, so that it can recover some of its lost profits.

Comment | It's a no green signal from the farm world

Sudha Narayanan: What you said is important. Look at what happened after these ordinances were passed. We had the ban on export of onions. So the farmers are not getting a signal that these Bills are, in fact, farmer-centric. There's nothing in the Bills that says what the procurement policy is going to be. In general, when you want to protect the interests of the consumers, while not undermining the interests of the farmers, you have an array of policies that work together. You can't say, I'm not going to use the Essential Commodities Act and then try to influence consumer prices by a policy that hurts farmers.

Explainer | Why are the Agriculture Bills being opposed

Arindam Banerjee: The FCI was formed in 1965 as a response to a significant food shortage in the country. From that point, we have made progress in food production. In the early 1990s, we were not facing food shortages. That did not mean that the problem of hunger was addressed. It continues to persist because there is mal-distribution of foodgrain. And that is happening in spite of the PDS. One has to recognise that we have a different political-economic regime than the time the FCI was set up. Post-liberalisation, private players and capital have a much greater role to play in the economy, which is fine. But then you also need regulations for those players. So, if today there is a perceived concern about the government public procurement system, then it's a valid demand to include a clause regarding procurement, or maybe just bring in another law that would quell a lot of fears.

Also read | Why is govt. 'running away' from giving legal responsibility for MSP, asks Congress

Sudha Narayanan: Given that these Bills are quite problematic, I wouldn't want an MSP clause to be introduced into them. If these Bills are flawed, we have to think of ways of fixing them. And I think the MSP question is larger, more complex, and deserves a very serious consultative process, and its own dedicated Act. Now the two may not be compatible. Because you can't say I want to get private players but insist what price they deal with. That's going to be self-defeating both for the MSP as well as for private participation. The reason MSP has to be a separate question is because farmers from Punjab may disagree with farmers from Bihar. So, how are you going to enforce the MSP? There have been interesting suggestions there. One suggestion was, if the APMCs were functioning as they would under the old regime, then you would ensure that all bidding starts at the MSP, which ensures that the MSP starts as a floor price. We've lost that opportunity now because now if you say APMC has a MSP, but outside it, you can do whatever you want, then it makes no sense any more.

If we keep an MSP that actually forces the government to procure way more than it needs (like China did a decade ago and could not distribute it within the country or export it), then unless you have a very well-planned distribution system, does it make economic sense for the government? Who is going to take responsibility, and how is it going to be geographically distributed and across crops? So, even if you were to go for an MSP legislation, there needs to be serious discussion on all these different aspects.

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Arindam Banerjee: There cannot be minor tweaks; major corrections need to be done. The

consultative process that was missing within our federal democratic structure... at least some amount of that needs to be done. I may sound like an alarmist, but on the face of it, if these Bills undermine the grain procurement system, there could be Balkanisation of the country. It's not simply a matter of farmers anymore, it's a much deeper concern.

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