

The Hurdles in the Way of Reforming Agricultural Markets in India

Sukhpal Singh's latest book 'Regulating Agricultural Markets in India: A Smallholder Perspective' looks at the three farm laws that were repealed following criticism against proposed reforms to the system of agricultural markets, among other things.

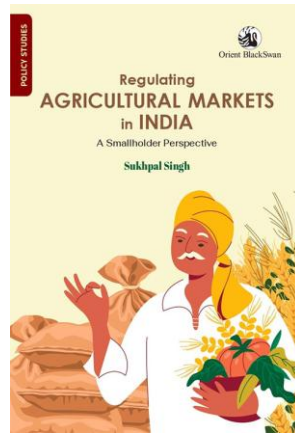


Representational image. Paddy procurement is at full swing at the new grain market in Patiala city. Photo: Vivek Gupta.



Siraj Hussain

In November 2021, the parliament repealed the three farm laws enacted in 2020: the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act; the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act; and the Essential Commodities (Amendment) Act. Misinformation about these laws persists, and their repeal is cited as the reason for inflation, shortages, and other multiple problems plaguing Indian agriculture.



Sukhpal Singh

Regulating Agricultural Markets in India: A Smallholder Perspective

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– provides a perspective on the enactment and later the repeal of the first two laws. Its author, Sukhpal Singh, is a professor at the Indian Institute of Management, Ahmedabad.

The book is a collection of Singh's articles published earlier in various reputed publications. This slim volume has only six chapters, of which two are devoted to contract farming and its regulatory framework.

A chapter in the book is about the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, which was basically aimed at bypassing the agricultural produce market committees (APMCs) and permitting trade in agricultural produce outside their physical boundaries. This law was the main reason for the 14-month-long farmers' agitation on Delhi's borders.

The introductory chapter highlights the importance of small and marginal farmers in the agricultural landscape of India.

In 2018-19, this class of farmers cultivated only 56% of the area but accounted for 89% of all operational holdings. Even though the official statistics – according to the 77th round of the National Statistical Organisation's Situation Assessment of Agricultural Household and Land and Livestock Holdings of Households in Rural India – show that only 13% of the area is leased, it is common knowledge that the actual incidence of leasing is much higher. The chapter also discusses some other findings of the survey including the trend of declining share of farmers' income from

cultivation of crops. An average farmer now earns more from wage, salary, and income from animal husbandry and dairying.

The most disputed of the three farm laws was the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020. The author has been following the marketing laws of agricultural produce for decades. Very few people have a deeper understanding of laws enacted by the state governments for regulating the wholesale trade of produce, which is the first point of sale of farmers' produce.

The history of reform of agricultural marketing in the states is discussed in detail. The Union government had circulated a model act in 2003. It was titled 'State Agricultural Produce Marketing (Development and Regulation) Act, 2003'. The Union government has been trying to persuade the states to adopt the provisions of the model Act in their own APMC Acts. The model Act sought to regulate not only the marketing of produce but also contract farming operations. It is obvious that encouragement provided to contract farming is not a new idea.

The provisions in the model Act of 2003 were analysed in detail in a study published in 2006 by Consumer Unity and Trust Society (CUTS), Jaipur. One of the recommendations of CUTS quoted in the book relates to freeing up agricultural marketing by allowing private markets to compete with APMCs and giving freedom to farmers to sell their produce to anybody and at any place.

This is what the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 sought to achieve and failed.

The amendments approved by state legislatures of opposition-ruled states, including Punjab, Rajasthan, and Chhatisgarh, have been discussed in the book. The shortcomings of these amendments make it an interesting read. In any case, the governors did not give their consent to the state amendments.

The progress of the e-National Agriculture Market started in 2015 is also discussed in the book. In recent months, concerted efforts have been made to make it mainstream for inter-state trade, but there are several gaps in the regulatory regime. However, these have not been discussed in the book.

Contract farming

The most enriching chapter of the book is on legislation to promote and regulate contract farming. The author has studied this subject for years and highlights that despite regulatory weaknesses, contract farming is practiced in several parts of India for various crops. A table giving the crops and the contracts signed between corporates and farmers is enlightening. However, the author argues strongly against linking the minimum support price (MSP) to the contracted price. Similarly, linking the contracted price to prices in APMCs goes against the very idea of a contract.

This chapter must be read by those who think that contract farming is the solution to India's agriculture and rue the repeal of the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020.

The readers of this review will easily appreciate the difficulty of entering a contract with a much more powerful entity. Those buying flats or houses from builders know what exactly the import of a contract between unequal parties is. And farmers are much weaker vis-a-vis corporate than buyers of flats in relation to the builders.

The chapter on the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act provides the arguments advanced in the 2018 working paper of the National Institute of Public Finance and Policy (NIPFP), which may have persuaded the government that the two laws relating to APMCs and contract farming will be within the constitutional scheme of distribution of powers between the Centre and the states. The defence of the farm laws by Ramesh Chand, a member of Niti Ayog, is also discussed in this chapter.

There is no discussion in the book about the law which has been regularly used by the Union and state governments since the promulgation of the Essential Commodities (Amendment) Ordinance, on June 5, 2020. The Ordinance, and the Amendment Act later, provided that the Union government may regulate the supply of certain food items, including cereals, pulses, potatoes, onions, edible oilseeds, and oils, under extraordinary circumstances only.

Thus, the EC Act was to be used in case of famine, war, grave natural calamities, and high inflation leading to price rise. The amendments provided that the Union government could impose stock limits only if there 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. The increase was to be calculated over the retail prices prevailing in the previous 12 months, or the average retail price in the last five years, whichever was lower.

If this amendment of the EC Act was not repealed, the government would not have been able to use it as an important instrument for controlling inflation. So, the stock limit on wheat, rice, pulses, or onions would not have been possible in most cases as the conditions of the amendment were not met.

The chapter on MSP highlights the difficulties in making it a legal right. The APMC Act of Madhya Pradesh has a provision since 1986 that farmers' produce will not be bought below MSP declared by the state government. But the state has never declared its own MSP for any crop! So, the provision remains on paper.

India is a large and agriculturally diverse nation. That is why the framers of the constitution made agriculture a state subject. The APMC laws of each state deserve detailed examination and analysis. This slim volume highlights the need for such a project.

One can only hope that academic and research institutions will be provided funding by state governments and the Union ministry of agriculture for such studies. I also hope that agriculture ministers and secretaries of the states can find time to read this important book on burning issues of farm policy.

Siraj Hussain is a former secretary (agriculture) of the Government of India.