

Agriculture Reform Legislations: Farmer Opposition in North India

Vinod Rai

Summary

The Indian government introduced a slew of legislations in the parliament aimed at certain reform measures in agriculture marketing, contract farming and essential commodities act. Though seen as a major reform move, the legislations have evoked strong protests from the farming and traders' communities in Punjab. The state government is supporting the farmers in their agitation. State political compulsions have forced a minister of the Shiromani Akali Dal, an alliance partner of the National Democratic Alliance, to resign from the cabinet. The legislation is seen as putting farmers at a disadvantage, diluting the hold of commission agents in the food procurement operations and adversely affecting state revenues. It is feared that the agitation may envelope other states too.

About three months ago, while announcing the package to provide relief from the COVID - 19 pandemic, the India government promulgated three ordinances pertaining to the agriculture sector. These were heralded as major reform measures which were piggybacking on the relief package announced. As is the norm, ordinances are introduced only as emergency measures when the parliament is not in session and have to be replaced by regular legislation once it convenes. In the ongoing session of the parliament, the government introduced three bills: The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020; The Farmers' (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020; and the Essential Commodities (Amendment) Bill, 2020. These legislations seek to free farmers from various shackles that were restraining them from selling produce to anybody, enabling contract farming and providing a firm legal framework to electronic trading. Only the first of these bills has been passed by the Lower House but it has unleashed massive protests from farmers in Punjab. Similar protests have taken place in Haryana and parts of Uttar Pradesh.

The reason behind such widespread protests against an ostensibly farmer supportive measure is deeply embedded in Punjab and Haryana's political economy. The new legislation upsets the cosy relationship built among farmers, commission agents and the central government procuring agency. Farmers constitute a core constituency of political parties, such as the Congress and Shiromani Akali Dal (SAD), in Punjab.

According to a Punjab Agricultural University study, there are about 1.2 million agricultural families in the state and 28,000 commission agents. About one third of the grains procured by the Indian government is obtained from Punjab. The Food Corporation of India purchased 12.91 million tonnes of wheat from Punjab out of total procurement of 34.1 million tonnes in the 2019-20 Rabi marketing season. This procurement was organised by the commission agents from registered markets. It is now felt that with the freedom to sell their produce through any platform, the agents will be robbed of their commission of 2.5

per cent while the state will be deprived of its six-per cent commission. Farmers, on the other hand, fear that they will no longer be able to receive the minimum support price (MSP) for their produce. This is the main reason why Prime Minister Narendra Modi asserted at two separate public meetings after the bill was passed in the Lok Sabha that misinformation was being spread about farmers being unable to sell their produce at the MSP. Despite this assurance, it is still not clear how the MSP system will operate in the changed circumstances. The fear that a Bihar kind of situation may emerge where less than one per cent of the targetted procurement of wheat happened at the MSP. Bihar abolished the Agricultural Market Produce Committee system in 2006; yet no tangible benefit has accrued to farmers since sale between farmer and private buyers need not necessarily be at the MSP.

Another reason for opposition to the legislation is the fear that the bills would help large corporate houses to the disadvantage of farmers. The MSP system operates in Punjab as a safety net to farmers. In its absence, it is feared that farmers would lose their bargaining power as there would be no recognised platform which would be available offering them the MSP. Farmers and agents feel that the MSP can be ensured only if the registered market system co-exists with any private system. Commission agents (known locally as *arhatiyas*), because of their control over the procurement process are a politically influential class would definitely be encouraging the ongoing agitation as their own business is at stake.

The new legislation has destabilised an otherwise supposedly 'smoothly' flowing operation. It has a threefold effect. It has introduced an element of fear among farmers of not being able to receive the MSP for the sale of their produce. It has scared the commission agents of losing their business and their political hold. Finally, it has alarmed the state government of losing revenue of about ₹500 billion to ₹600 billion (S\$9.2 billion S\$11 billion). The farmer and the commission agent class wield substantial political clout as a consequence of which the Punjab chief minister (who belongs to the Congress) has been steadfast in his opposition to the legislation. The SAD, which lost miserably in the last state election and is a partner in the National Democratic Alliance government in the Centre, has seen this as an ideal opportunity to re-establish its inroads into the farming community. Hence, it has asked its representative in the Union Council of Ministers, Harsimrat Kaur, to relinquish her ministership. They could not be seen as supporting a legislation, which has been projected as 'anti farmer' by the state government. This will definitely strain the relationship between the Bharatiya Janata Party (BJP) and its alliance partner, though there is no immediate threat to the coalition. It may also cost the BJP in terms of losing some support among the trading class of people in Punjab, Haryana and maybe parts of western Uttar Pradesh.

Thus, farmers in northern Indian states are likely to be on the agitation path for a while. There will be some turmoil before a compromise is hammered out. To what extent that compromise will dent the reform process is yet to be assessed.

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Mr Vinod Rai is a Distinguished Visiting Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He is a former Comptroller and Auditor General of India. He can be contacted at isasvr@nus.edu.sg. The author bears full responsibility for the facts cited and opinions expressed in this paper.