CRITICAL ANALYSIS OF INDIAN FARM BILL 2020

RiyaSharma[1a], Graphic Era Deemed to be University, Dehradun, Uttarakhand, Corresponding author Email: riyasharma6568@gmail.com
Isha Rawat[2], Graphic Era Deemed to be University, Dehradun, Uttarakhand
Ambica prakash Mani[3], Graphic Era Deemed to be University, Dehradun, Uttarakhand
Vijay V. Bondar [4]**,** Research Scholar, Department of Visual Arts, Graphic Era Hill University, Dehradun

Abstract
Deregulation is considered as an efficient strategy to make agricultural markets efficient. This paper aims to critically examine the new agricultural reforms introduced in India to deregulate Indian agriculture. It is being argued that in developing economies distortions in the agricultural sector have serious implications on economic health of farmers. This study examines the potential of agricultural reforms to benefit Indian farmers. The conclusion drawn on the basis of secondary data analysis states that the farm laws can benefit the farming fraternity only if farmer entities play a dominant role in the market for which a strong redress mechanism needs to be established to safeguard the interest of farmers.

1. INTRODUCTION
Indian agricultural markets have been subject to stringent state interventions. Several attempts have been made to deregulate the Indian agricultural markets. The latest initiative in this sequence is passing of three farm laws. These laws aims to promote and facilitate the farmers produce, empower and protect the interest of the farmers and provide price assurance mechanism. This paper aims to critically examine the three farm laws. As per the international standards India's rank in regulatory framework is not encouraging. According to The World Bank report on enabling business of agriculture 2019 India ranks 49th out of 101 countries. (WHO, 2020) The enabling business of agriculture report examines that whether government designed policies and regulations either facilitates or hinders the growth of domestic agricultural activities. The rank also indicates the developmental outcomes with higher rank associated with low poverty and better food security. Among top 20 emerging countries India has ranked the second least favourable regulatory environment after South Africa among top 20 emerging countries for farming activities. The key contributions of this work are outlined as follows:

- To broadly explain the evolution of regulatory policies in Indian agricultural market
- To provide a broad framework of present APMC model
- To critically analyse recently introduced Indian farm laws
- To highlight the issues and challenges faced by small Indian farmers

2. Evolution of Regulatory framework on Indian agriculture
Agricultural marketing in India has evolved from price centric to producer centric since independence. Since then the core objective of agriculture has been changing in a phased manner which can be divided into six phases. After independence, Indian agriculture was in a very poor state due to partition. Trade was strictly quota driven and subject to high tariffs rates. The first phase focused on addressing these challenges along with shortage of food grains and price stabilisation. Policies were focused on introduction of land reforms, expansion of area under cultivation, price stabilisation, community development and restructuring rural credit institutions. During first five-year plan, 31% of the total budgetary funds were allocated to agriculture sector. Although, the

growth rate was 2.6% per annum in the post-independence era due to famines and harsh weather conditions. The second phase brought major reforms in agriculture in 1960s marking the beginning of green revolution. This revolution introduced capital intensive techniques of production like use of high yielding variety seeds, irrigation facilities, pesticides and other kind of scientific techniques of production. Green revolution led to increase in overall food production in the country and tackled the problem of food shortage. Gross domestic product raised by 3.33% in initial green revolution era and even higher by 3.52% in later period. (2021)In the subsequent phase, green revolution increased the productivity tremendously with the usage of technology and high yielding variety seeds. Although this revolution led to food security and reduced imports but simultaneously faced criticisms of environment degradation and increased regional disparities. The third phase marked the beginning of market orientation model which witnessed the emergence of Indian farmers as a political force demanding remunerative returns. During this period, Indian agriculture shifted from production based to surplus based. Export was encouraged and farmers focused on diverse crops like oilseeds, fruits, vegetables etc. But this golden era ended as soon as economic reforms were introduced in 1991 marking the beginning of fourth phase. Liberalisation of agriculture reduced government control in agriculture sector. They could not avail the benefits of liberalisation trade due to lack of knowledge about external trade and deregulation. World Trade Organisation was also something new for Indian farmers. Till 1990, agriculture sector contribution to GDP Gross domestic product was 4.7% which fell to 2.1% by 1992- 1997 and 1.8% by 1997- 2002.One of the most alarming fact of this period was that suicide of farmers increased considerably. The fifth phase brought a landmark market reform that shifted the policy focus from production to producers with introduction of Model State Agricultural Produce Marketing (Development and Regulation) Act 2003. Attempts were made to liberalise the agricultural markets by introducing agricultural produce and livestock market committee. It introduced two major reforms by permitting private agriculture markets and contract farming. APMC provides price determination mechanism based on bidding system acting as a linking pin between farmers and buyers. However, in later period 'Mandi Arhtiyas' the drivers of APMC model started exploiting farmers by charging high commissions. The sixth phase saw the launch of electronic National Agricultural Market (e-NAM) as an attempt to unify the regulated wholesale markets in 2016. This Pan India e-trading portal aims to provide a single window service for all agriculture related trading and information services. APMC is made responsible for ensuring transparent pricing system removing asymmetry between farmers and buyers where farmers receive payments on same day for agriculture produce sold. The first three phases of regulatory framework were marked by excessive state control while the latter three phases involved market orientation model followed by the proposed phase of free play of market forces and diluting the power of APMCs.

2.1 Existing working mechanism of APMC

Introduced in the year 2003, Agricultural Produce and Livestock Market Committee is the board established by state government to safeguard the interest of farmers and protect them from exploitation by middle men or intermediaries. It was formed by Agriculture produce marketing regulation act. Currently 2477 APMC's are operating in India. APMC provides specified market area, yard, sub yard, popularly known as 'mandis' to conduct sale or purchase of agricultural produce. It is obligatory to provide proper infrastructure facilities by APMC required in sale of produce. Prices in APMC are determined by the open auction in the presence of members of market committee. Farmers, traders or sellers quote their prices in national agriculture market portal where different buyers quote the prices they are willing to offer. Bank acts as a clearing intermediary that ensures settlement. Goods are delivered and payments are made through APMC channel where farmers are entitled to pay some charges to APMC like commission for agents, market fees, handling charges and taxes. After establishing prices in auctions and paying required charges, final sales take place.

However, many loopholes were identified in the functioning of APMC. The cartelization crystallised, creating monopoly in the agriculture market. The agents form cartels and deliberately restrain higher bidding which helps them to procure produce at a manipulatively discovered price and later sell at a higher price. Minister of Agriculture and farmers welfare Narendra Singh Tomar rejected the demand of inclusion of Minimum support price which has further increased the Farmers' agitation. This act is receiving mixed reactions from various analysts across the globe. Chief economist of International Monetary Fund, Gita Gopinath extended her support for this act and called it a turning point for Indian agriculture. On 3rd February 2021, 413 academicians from IIT Kanpur, IIT Bombay, Jawaharlal National University, University of Massachusetts, and University of Johannesburg released a statement opposing farm bill and calling it "flawed and detrimental to farmers". This is not the first time when such deregulation is being introduced in India. Earlier in 1998 sugar industry was deregulated and in 2006 Bihar government removed APMC from the state. Both the times, government plan failed drastically instead of improving agriculture infrastructure and farmer's conditions. Entry barriers deprived farmers from customers as high rent for shops to operate in 'mandis' keep majority of the competition away.

3. Critical review of new farm laws

Indian Agriculture Act 2020 popularly known as farm bill emerged as the reason for country wide protests and objections by the end of 2020. Farm bill was presented and approved in Lok Sabha and Rajya Sabha on 17 September 2020 and 20 September 2020 respectively. It was signed by President Ramnath Kovind on 27 September 2020. Although on account of nationwide protest, it was kept on hold by Supreme Court on 12 January 2021.Supreme Court appointed a committee for grievance management. Punjab, Chhattisgarh, Rajasthan, Delhi, Kerala passed resolutions in their state assemblies opposing the farm bill. In order to empower the Indian farmers new farm bills that aims to allow farmers to determine the prices of their produce, sell agricultural produce inter and intra state without paying any taxes and undertake contract farming.

This Act is divided into three parts and explained as follows:

- Farmer's Produce Trade and Commerce (Promotion and Facilitation) Act 2020
- Farmer's (Empowerment and protection) Agreement on price assurance and farm services Act 2020
- Essential commodities (Amendment) Act 2020

3.1 Farmer's Produce Trade and Commerce Act (Promotion and Facilitation Act 2020)

This act is based on the principle 'One country one market'. This Act aims to allow farmers to sell their produce outside the premises of APMC (Agricultural Produce and Livestock Market Committee), liberalising stock limit norms and moreover privatising Indian agriculture to a greater extent. Limiting the APMC jurisdiction to the market yards this act provides free flow of agricultural produce within a state or between different states. It provides freedom of choice to farmers regarding the terms of sale and purchase in the trade area. The trade area is defined as the area with is outside the control of APMC and is free from an obligation to pay any fees   It extends the boundaries of trade in agriculture where farmer can sell their produce at lucrative prices at any location across nation. It facilitates electronic trading, direct online buying of output. Indian agriculture business will not be limited by APMC Agricultural Produce and Livestock Market Committee as this can be an effective step for digitalisation of agriculture sector and empowering Indian farmer. APMC involves licensed middlemen that act as an intermediary between farmers and institutional buyers. This act will help to develop direct contact between farmers and institutional buyers at agreed price. Thus it will help in eliminating intermediary cost. In APMC market the state government levy tax on the produce traded. In Punjab market yard tax accounts to 8.5% of minimum support price which comprises of 3% market fee, 3% rural development and 2.5 % arthiya commission. Haryana following with 6.5% tax on minimum support price, accounting to more than the average Pan-India tax i.e., 6% of MSP. The agricultural reforms will help in reducing the tax burden on the farmers where Food Corporation of India and other agencies will procure agricultural produce circumventing the intermediaries of the APMC model. This act will help in shortening long supply chains. However, though it appears fascinating but it will be a challenge to completely eliminate middlemen from agriculture trade. Institutional buyers have to deal with numerous issues. Mostly corporate firms employ middlemen for procuring raw materials. However, if the supply chain mechanism is strengthened with the help of digital technology the elimination of middlemen will be possible.

3.2 Farmers (Empowerment and Protection) Agreement on price assurance and farm services Act 2020

Also known as Contract farming Act this act allows farmers to enter into a contract or agreement with institutional buyers, exporters, agro based industries, wholesalers and large retailers at pre agreed prices. It protects farmers and make contact farming legal. It provides a national transparent framework of contract farming that empowers farmers to negotiate and trade on mutually agreed remunerative prices. In contract farming prices are already decided so it reduces the risk of price fluctuations. For example, if agreed price for a deal is fixed at INR 2200 per quintal. In case, by the time delivery has to be made prices fall due to any reason specially in case of bumper crop (1 quintal= INR1800). Under contract farming there is no role of market prices. Thus farmers can enjoy the benefits of higher prices. It establishes three tier dispute settlement mechanisms by the conciliation board, Sub divisional board and Appellate authority.

3.3 Essential Commodities Act 2020

With an aim to double farmer’s income and improve the ease of doing business, government through this act liberalise the stocking policy. It aims to empower the farmers by removing commodities like cereals, rice, pulses, oil seeds and potatoes from the list of essential commodities. Stock limits will only be imposed only if there is steep price rise. The central government will designate only certain commodities as essential commodities. Government regulations on supply of certain items (cereals, pulses, oilseeds) will only be imposed in extraordinary circumstances like war, famines etc. This act will remove the fears of excessive government intervention among private investors and give freedom to produce, hold, move and distribute the produce which will result in increased investment in cold storage facilities and modernisation of agriculture supply chain preventing the wastage of agriculture produce. Huge investment will harness economies of scale and also attract foreign investments in primary sector. A competitive agriculture market with price stability will be beneficial for both farmers and customers.

4. ISSUES OF INDIAN FARMERS

4.1 Power of Negotiation

Government is pointing the fact that this act will provide opportunity for higher prices in open market. But it highly depends on bargaining power. Farmers will have this power if they contribute to the large market output. Either the farmers will have to form unions for their representation and enhance their negotiating power. But approximately 85% farmers in India have small land holdings thus they own a small amount of total market output. That’s why they have low power of negotiation. It means power to set the price lies greatly in the hand of institutional buyers. Farmers are considered as price taker in such situation. There are great chances that even if institutional buyers offer lower prices, farmers would be forced to accept it. In past few years, cases of farmer committing suicide has been an alarming issue. This is one of the biggest risk attached with this act. However, the government authorities through press conferences are regularly updating that MSP will not be removed and farmers will have an option to trade where they get the best prices.

4.2 Concerns related to State Government

Agriculture tax as an important source of revenue for the agricultural based state governments like Punjab, West Bengal, Uttar Pradesh and Gujarat will be cut down. The state governments have a serious concern in this regard. Though the revenue of state governments will suffer adversely if this act is implement edit will eventually benefit the Indian farmer. Private market yards cannot be subject to state government tax. Currently 7000 APMC's exist in India that provide employment to lakhs of people this act will might reduce the employment putting livelihood of these people at risk. It might adversely impact state wise employment rate.

4.3 Minimum Support Price Dilemma

In order to ensure that farmers get reasonable prices for their produce, government fixes a minimum prices of different crops. This is known as minimum support price. This may have a twofold effect. It is possible that implementation of this act may lead to higher prices of crops. It may turn out to be profitable for farmers. But if we have to follow the conservative aspect of this situation. Institutional buyers may offer low prices for the crops. It may be because of low bargaining power of farmers. Bumper crops also considerably reduce the prices as buyers will have more sources to buy. We can explain second aspect with the example of JIO. When JIO came into market in 2016 the company offered net pack at very low prices. But once it captured a large segment of market, it changed its pricing policy like its competitors. Similarly, private buyers may offer higher prices initially when it has large funding but once they establish enough contacts in market, it may offer lower prices to increase its profit. Although government is ensuring that MSP will be provided, but MSP clause is not yet added to the act. It's obvious that government does not have any authority to add MSP clause in private contract. Farmers are demanding to link MSP to contract prices. However, if MSP is made legal it will increase the fiscal deficit of India which has already surpassed the tolerance limit at 9.6% due to COVID19.

4.4 Preventing farmers to seek help from court

As mentioned earlier this act establishes three tier structures for handling disputes. Highest appeal can be made to Appellate authority. Thus, farmers have been continuously pointing that this clause is preventing farmers to seek help from court. Many economists have been pointing that this act is favouring private institutional buyers, exporters and retailers who have larger resources compared to small farmers. Farmers will be clearly placed at a weaker side while seeking justice.

4.5 Artificial price fluctuations

The main problem with this act is that it may lead to artificial price fluctuation. Indirectly it is making hoarding legal. This act is aimed at liberalising stocking policy by the government. It means private traders can maintain unlimited stock without the fear of being legally prosecuted for hoarding. Unlimited stock can lead to artificial price fluctuations that would adversely affect the prices of crops. For example, if private trader maintains huge stock this year than next year they will offer low prices to the farmers as they already have enough stock. This act only allows government regulation under extraordinary circumstances like wars, famines etc. Such situations are very rare which reduces government control up to a great extent. Stock limits are only applicable on price rise. It will be applied in a situation if there is 100% rise in retail price of horticulture produce50% rise in retail price of non-perishable food items. There is a need to differentiate between speculative hoarders and the business organisations that genuinely hold stock as due to nature of operations.

5. DISCUSSIONS AND SUGGESTIONS

Government is required to introduce various amendments to this act in order to win over farmers. Swami Nathan committee proposed mandatory inclusion of minimum support price in the provision of this act. Harmonising with self-help groups and farmer producers organisation can further safeguard the interest of small scale farmers. In addition to this, government should include provision of written contracts in vernacular languages for easy understanding and implementation instead of oral contracts. Greater degree of consultations can help in meeting the expectations of farmers. Along with it, even farmers are required to play an instrumental role where they can provide important suggestions and cooperate with government to reach an acceptable provision. Previous drawbacks, current situations and future prospects should be closely monitored for establishing a modified agriculture policy in India.

- **Reforming APMC**- According to Indian farmers, APMC suffers from many drawbacks like high fees of trading, insufficient marketing options, inadequate infrastructure which leads to high wastage of harvests etc. APMC are state controlled committees, thus government should work to improve them.
- **Strengthen MSP** -Only 6% farmers in India are able to take benefit of MSP. The reason behind is that government set MSP for more than 20 crops but procurement is done only for four to five crops like wheat, rice etc. All the farmers are not able to avail benefits of minimum support price. Thus, MSP should be strengthened and awareness programs should run to educate farmers about their rights.
- **Safeguard the interest of farmers** Almost 70% of Indian population depend directly or indirectly on agriculture sector. Thus, government should safeguard the interest of this sector rather than privatising it. Private sector work for its profit and there are high chances that it may ignore the interest of farmers. Government should take measures to undertake investment in this sector to improve infrastructure and to provide facilities to farmers. Farmers are demanding that agriculture act should favour farmers and work to protect them. On contrary this act is more beneficial to private sector as they are enjoying negotiation power, more resources and unlimited stock facility. Farmers even have less facilities to seek redress in case of disputes arises as this act prevents them to move to court.

6. CONCLUSION

Agriculture is the lifeline of Indian economy therefore serious measures are required to deal with this topic. Instead of continuous protests and rejections, there is a need to reach to a balanced plan in order to increase profitability along with maintaining well-being of farmers. Agriculture sector has incurred continuous losses due to interference of political issues removing productivity gains. Debt trap of farmers transformed into death traps that led to increase in farmer suicide cases. Privatisation of agriculture sector can reduce such incidences if capitalist's takeovers are aimed to minimise risks and maximise productivity. Agriculture can be transformed to a professional business instead of a hereditary tradition. Specialised knowledge, expertise, infrastructure can flow into agriculture sector with the help of capitalism. In order to maximize profits as well as farmers wellbeing, absolute capitalism and socialism can never be a solution. We require balanced farming policies that can ensure reliability, growth and dependence on agriculture sector.

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