# Farm Reform Laws - Concerns

## Why in news?

- Thousands of farmers from Punjab, Haryana, Rajasthan and U.P have been marching toward Delhi in protest against the three central farm legislations.
- In this context, here is a look at the concerns regarding the three farm reforms laws.

## Why are only some states protesting?

- The protests are perhaps the loudest in northern states, traditionally India's wheat basket and rice bowl.
- The MSP system, in place since the mid-1960s, was part of the country's drive to reduce dependence on food imports.
- The MSP was meant to protect farmers against price crashes that could (and do) occur with large harvests.
- It is in its role as a floor price that a credible MSP matters to farmers.
- In principle, in deficit states (where demand exceeds local supply), market prices should be higher than the MSP, obviating the need for supporting the market at the level of MSP.
- However, this differential could be dampened or even eliminated by the distribution of grains under the National Food Security Act (NFSA).
- Seen in this light, the MSP matters more in historically surplus states of Punjab and Haryana.
    - Here, the government purchases over 80% of wheat and rice output for NFSA supply.
    - In comparison, in Bihar, the government procures at most a quarter of rice output of the state and no wheat.
- Also, in practice there is wide variation in the implementation of the MSP, across crops, states and categories of farmers.

    - A 2016 Niti Aayog report notes that all surveyed Punjab farmers reported selling at the MSP.
    - While other states often saw only one-third of farmers reporting sales at the MSP, and some, none at all (with sales at the lower open market prices).
    - The report also finds that large farmers are able to sell a greater share of their produce at the MSP as compared to smaller farmers.
    - Small farmers often rely on aggregators to sell their output.

## What are the concerns?

- **Cooperative federalism** - Agriculture and markets are State subjects – entry 14 and 28 respectively in List II.
- So the farm legislations are being seen as a direct encroachment upon the functions of the States.
- It is seen as being against the spirit of cooperative federalism enshrined in the Constitution.
- The Centre, however, argued that trade and commerce in food items is part of the concurrent list.
- **End to MSP?** - APMCs were set up with the objective of ensuring fair trade between buyers and sellers for effective price discovery.
- APMCs can -
    - regulate the trade of farmers' produce by providing licences to buyers, commission agents, and private markets
    - levy market fees or any other charges on such trade
    - provide necessary infrastructure within their markets to facilitate the trade
- The Farmers' Produce Trade and Commerce Act aims at opening up agricultural sale and marketing outside the notified APMC mandis for farmers.
- Given this, dismantling of the monopoly of the APMCs is seen as a sign of ending the assured procurement of food grains at MSP.
- To the Centre's 'one nation, one market' call, farmers have sought 'one nation, one MSP'.
- Farmers call for addressing the gaps in the APMCs, instead of making these State mechanisms redundant altogether.
- **No mechanism for price fixation -** The Price Assurance Act offers protection to farmers against price exploitation.
- However, it does not prescribe the mechanism for price fixation.
- There is apprehension that the free hand given to private corporate houses could lead to farmer exploitation.
- Farmers are apprehensive about formal contractual obligations owing to the unorganised nature of the farm sector.
- There is also the lack of resources for a legal battle with private corporate entities.
- **Food security** – Easing of regulation of food commodities in the essential commodities list would lead to hoarding of farm produce during the harvest season when prices are generally lower.
- This could undermine food security since the States would have no information about the availability of stocks within the State.

## What is the way forward?

- In all, the MSP has played a role in mitigating the downside risk for farmers.
- But its effectiveness depends on the interplay of -
    i. NFSA operations
    ii. crop choices
    iii. the degree of intermediation and competition (amongst buyers) in the market
    iv. MSP implementation
- More market-driven outcomes will require investments in infrastructure.
- The MSP is not, and should not, be a substitute for technology-driven increases in farmer incomes.
- Farmers thus want the Union government to either withdraw the three legislations or guarantee them the MSP for their crops by introducing a new law.

**Source: Economic Times, The Hindu**

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