State Intervention in Farming - Case against Liberalisation

What is the issue?

- The COVID-related economic crisis in rural India calls for serious structural reforms in agriculture.
- In this context, here is an evaluation of liberalisation and the need for state intervention in agriculture in India.

What is the post-1991 agriculture scenario?

- Farming in India has been made economically unviable due to the post-1991 economic policies.
- The priority, since then, has been given to industry as well as services.
- Middle-class consumers have been offered support by successive governments.
- This was done at the expense of farmers, who could not sell their crops at a fair price anymore.
- This amounted to an unprecedented neglect of the agricultural sector.
- In turn, this has resulted in an equally unprecedented gap between the standard of living in the rural and urban parts of the country.
- The urban/rural ratio in terms of monthly per capita expenditures has jumped from 1.84 to 2.42 between 2012 and 2018.
- This means that an average urban-dweller today can consume almost 2.5 times more than an average person in a village.

What is the government's recent move?

- The central government has decided to liberalise India's agriculture.
- It attempts to do this by amending the Agricultural Produce Marketing Committee (APMC) Act and the Essential Commodities Act. Click here to know more.
- The objective is to deregulate trading practices in agricultural markets (mandis).
- Peasants will be allowed to sell their products wherever it is valuable for them.
- The barriers to inter-state trade in agriculture will be lifted.
- Contract farming will also be introduced in such a way that the buyer can assure a price to the farmer at the time of sowing.

- This has been regarded as the “1991 moment” for the agriculture sector.

What is the alleged concern with APMC?

- The main argument against the APMC Act is that it does not allow the free market to function due to government intervention.
- It is said to deny farmers the opportunity to determine the prices of crops in the marketplace.
- In theory, this is a valid argument.
- But as the High-Level Committee headed by Shanta Kumar observed in 2015, only 6% of farmers get the Minimum Support Price (MSP).
- The remaining 94% already face the whims of the market.
- This is because of barriers to access for farmers, as only 22 crops are procured under MSP.
- Infrastructure is also inadequate; there are only an estimated 7,000 APMC mandis across India.
- Also, procurement depends on the stocks required by the state.
- But given all this, the APMC Act is not the main problem.
- On the contrary, it has historically been part of the solution.

What is the real problem then?

- Farm pricing is a key issue in this regard.
- The Agricultural Prices Commission (APC) was established in 1965.
- Over the period, it gradually included the living costs of farmers.
- This was to assess the terms of trade between agriculture and industry while determining agricultural pricing.
- The Commission for Agricultural Costs and Prices (CACP) replaced the APC in 1985.
- It added a 10% mark-up over the MSP to account for entrepreneurial costs.
- This helped to contain the urban/rural divide.
- But such practices have been gradually eroded post-1991.
- The problem, therefore, is not state intervention per se but the way the government deals with agriculture.

Why should APMC stay?

- **Stocks** - The APMC Act helped India to build up food stocks.
- As of June 2020, the Food Corporation of India (FCI) had 832.69 lakh tonnes of rice and wheat in stock, the most since 2005.
- India managed to weather the 2008 global food crisis only because it had enough food stocks.
- This was mainly because Indian agriculture was not linked to the

international futures market.
- This was possible due to the procurement done through the APMC Act.
- **Reforms** - The APMC Act has already been reformed to a great extent.
- Since agriculture is a state subject, the Act has been modified in 17 states.
- Some of the initiatives include -
    i. the Uzhavar Sandhai in Tamil Nadu
    ii. the Rythu Bazaar in Andhra Pradesh and Telangana
    iii. the Apni Mandi in Punjab
    iv. the Raitha Santhe in Karnataka
    v. the Krushak Bazaar in Odisha
- Therefore, it is incorrect to describe the APMC Act as an impediment in alleviating rural distress.
- On the contrary, the condition of peasants has often been affected when the APMC Act has been diluted. E.g. Bihar
- **Bihar** - In Bihar, the APMC Act was revoked in 2006.
- This was done with the same rationale that further deregulation would attract private investment in infrastructure.
- But that did not materialise as intended.
- Moreover, the existing APMC market infrastructure was also dismantled.
- Reforms led to proliferation of private unregulated markets.
- They charged a market fee from traders as well as farmers, and without any infrastructure for weighing, sorting, grading and storage.

What should the areas of reform be?

- **Subsidies** - Indian agriculture is still too heavily subsidised in favour of the big players.
- In the Union Budget 2019-20, the allocation for the Ministry of Agriculture was Rs 1,30,485 crore.
- The fertiliser subsidy alone was estimated close to Rs 80,000 crore.
- However, these subsidies are concentrated on a few crops.
- Only 3 crops (rice, wheat and sugarcane) receive more than 60% of the so-called “non-product-specific” support to agriculture.
- The market prices of these are consequently more attractive and competitive.
- This has led to environmental degradation like the depletion of groundwater levels and monocultures, which are a threat to biodiversity.
- It has also led to the 'industrialisation of agriculture'.
- This again results in the strengthening of a handful of multinational companies, which supply chemical inputs.
- Liberalisation would only strengthen the role of large companies, including those in the agri-food sector.

- **Structural** reforms - Farming needs to be made economically and ecologically viable in India.
- Instead of further liberalisation of agriculture, state intervention should be for better pricing, investments in water harvesting and an agro-ecological transition.
- This could ensure a more resilient system to unexpected events.
- The present migrant workers' crisis has shown that peasants could not/did not want to stay in rural India.
- The magnitude of the problem may worsen if these workers have to continue living in their villages.

What is the way forward?

- The Andhra Pradesh Community Managed Farming model offers inputs for sustainable agriculture.
- It promotes agro-ecological principles.
- It uses locally-produced, ecologically-sustainable inputs focusing on soil health, instead of depending on chemical fertilisers.
- Since the agro-ecological system of farming is more biodiverse in nature, it will make the system more resilient overall.
- It also provides a safety net for farmers in case of crop damage due to various factors such as climate change or droughts.
- The Government of India should invest again in agriculture and follow, at last, the recommendations of the M S Swaminathan Committee.
- This would also help bridge the drastic urban-rural divide.

Source: The Indian Express

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