



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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