MAY 2021 • Vol. 7 • Issue 2
MONTHLY • Pages 64
₹ 200

RNI No.: DELENG/2015/67140; Published on: Every month; Posted at Lodi Road HPO, New Delhi on 9-10th of every month

THE AWARE CONSUMER

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NEW FARM LAWS

FREEDOM TO SELL FARM PRODUCE

RESEARCH FEATURE
Supply Chain Costs Weigh Down Indian Farmers And Inflate Prices

OUT OF THE BOX
Are The APMCs The Be-All And End-all Of Agricultural Trade?

INTERVIEW
Shri Narendra Singh Tomar, Minister of Agriculture & Farmers Welfare

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VIEW  POINT

MESSAGE FROM PUBLISHER & EDITOR

The Ruthless FOOD REALITY In India

THE FARMERS PRODUCE and the consumers consume – both parties continue playing their role and the cycle continues unhindered.

But why is there such a marked price difference between the value that the farmer gets for his harvest and the price that the consumer has to shell out for buying the same food?

For instance, a farmer sells his crop of potatoes for Rs.2 to a maximum of Rs.4 per kg. The consumer buys the same potatoes at a whopping Rs. 20 to sometimes even Rs.40 per kg. Where do the 16 to 36 odd rupees per kg go? Is the 1000% to 2000% price increase even warranted? Is it fair to the consumer or the farmer?

Fact of the matter is that the voiceless farmers sell their produce without any option or choice to the middleman or in the mandated Agricultural Produce Market Committees (APMC 'Mandis') at the pre-determined MSP or even lower prices on offer and go home. The grains and other food items then change hands multiple times before they reach the consumer. The price increases at every level and the added costs of warehousing, cold storage, transport and packaging are understandable. But the bitter truth is that the rapacious intermediaries are gleefully pocketing undue profits or margins, that too at the cost of the unfortunate farmers who remain oppressed and repressed. This is in simple terms called market manipulation.

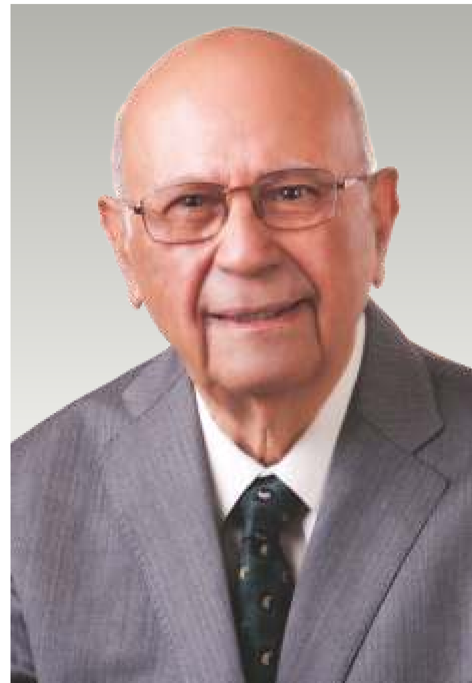
As consumers, we are facing a double jeopardy – we pay unfair prices for the foodstuffs and the farmers don't even get a fair share from the costs we pay for the food we consume. We as consumers are burdened with hefty margins and profiteering at the cost of innocent farmers being denied their rightful income.

The three farm laws that have been making a furor for the past six to eight months are actually a much-needed step to eliminate the role of the greedy and almost mercenary intermediaries that are jacking up the food prices on the one hand and exploiting the farmers on the other. Purging their role in the supply chain can literally double the income of the farmers even while ensuring that consumers no longer have to shell out a major chunk of their salary on food and groceries, which they are made to pay without any choice.

Prof. Bejon Kumar Misra
Publisher & Editor
bejonmisra@theawareconsumer.in

Prafull D. Sheth

Editorial Board Member



ARE WE PAYING THE RIGHT PRICE FOR OUR FOOD?

DESKTALK

A CONSUMER SHOPPING in any supermarket in any corner of the world will easily be able to fill his cart with the necessary foodstuffs and other provisions without really burning a hole in the pocket. Food items are priced fairly and economically when compared to the per capita income of the country, as they rightly should be.

But the prospects are diametrically opposite in India. As consumers, we have to pay through the nose for our daily food with the prices averaging at 60% to 70% of our income per head. And the graph displays a steady incline with prices of food grains and other edibles rising regularly.

According to the 'Cost of a Plate of Food' report released by the United Nations' World Food Programme in October, 2020, an Indian spends an average of 3.5% of his/her daily income for a basic plate of food as compared to 0.6% by a New Yorker.

However, the profits do not even filter down to the farmers as they are pocketed by the intermediary agents. In contrast, the farmers barely manage to break even on their agricultural costs and rarely, if ever, get value for their efforts. It is the middlemen that jack up the prices and cause pain all around the country. In fact, the farmers themselves feel the pinch when they have to buy their daily food supplies at the extortionate prices prevailing in the market.

Coming to the steep prices of packaged foods like chips and biscuits, this is also on account of the rampant profiteering by the very same intermediaries. The food processing businesses cannot really be blamed here as they are forced to purchase the raw materials at exorbitant prices from the agents, that too without any guarantee on the quality of the raw material.

Putting these food companies, retailers and even the consumers in direct touch with the farmers will ease the burden all around while ensuring adequate compensation for the farmers. And the three agrarian laws passed in September, 2020 are the much-needed step in this direction....

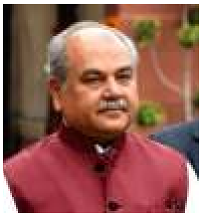
INSIDE

REGULARS

THE AWARE CONSUMER MAY 2021

A comprehensive assessment of the supply chain factors and quantifying the intermediary costs in Indian agriculture will shed light on the influence of multi-stage mark-ups.

The agricultural reform laws are riding on a history of prolonged efforts to streamline the regulatory environment of agricultural markets and allow more room for private players.



Shri Narendra Singh Tomar
Union Cabinet Minister,
Agriculture and Farmers' Welfare,
Government of India

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- Favorable Costs To Companies,
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The FTPC Act is a game-changer as it opens up new opportunities and markets for the farmers.

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MAY 2021 • Vol. 7 • Issue 2

Owner, Printer, Publisher & Editor:
Prof. Bejon Kumar Misra

EDITORIAL CONSULTANTS
Prafull D. Sheth
Bina Jain
Suman Misra
Manisha Bhatla
Pyush Misra
Payal Agarwal
Srishty Jaura
Shashank D. Sudhi
Shashi Bhushan

DESIGNER: Galaxy; Yellow Palette
DESIGN CONSULTANT: Maanav Khaitan

WEB DESIGNER:
Manish Mohan
Ebrahim Bhanpurawala

MANAGER CIRCULATION
Ashok Sharma

Published at:
B - 306, 1st Floor,
C.R. Park, New Delhi-110019

Printed at:
M/s. Swastika Creation
19, D.S.I.D.C. Shed, Scheme 3,
Okhla Phase II, New Delhi - 110020

For any queries, please contact us at
contact@theawareconsumer.in
Phone: 9311044424

Total number of pages - 64, Including Covers

SHRI NARENDRA MODI
PRIME MINISTER OF INDIA

Farm Laws have not been introduced overnight. Over the last 20-30 years, central government and state governments had detailed discussions on these reforms. Agriculture experts, economists, and progressive farmers have been demanding reforms.

ROUNDUP

Supreme Court Committee On Farm Laws

Nearly 50 days after the farmer protest movement reached the borders of Delhi, the Supreme Court passed an unprecedented ruling placing the farm laws on hold and appointed a committee to study the new laws and resolve the ensuing deadlock.

DATA BRIEFING

The procurement of Paddy is more than 74% higher as compared to 2014-15, in most of the states.

Ministry of Agriculture and Farmers' Welfare
Government of India

Pradhan Mantri Fasal Bima Yojana

Insurance for crops Security for farmers

In most States, the cut-off date for enrolment for the current Kharif 2019 season is 31st July, 2019.

Provides coverage for all Food crops (cereals and pulses), Oilseeds, Horticultural and Commercial crops notified by the respective States.

Premium rate for Food crops and Oilseeds is up to 2% of sum insured for Kharif and up to 1.5% for Rabi. For commercial and horticultural crops it is up to 5%.

Provision of field level survey for localised risks viz hailstorm, landslide, inundation, cloud burst or natural fire and post-harvest losses viz hailstorm, cyclone and unseasonal rain.

Aadhaar number bank account details, sowing certificate/declaration, and proof of land ownership/tenancy are mandatory for enrolment under the Scheme.

Provision for online insurance through **www.pmfby.gov.in**

Farmers can enrol through their nearest bank or Common Service Centre (CSC) or Insurance Agent.

For detailed information, contact your nearest Agriculture Officer, CSC, Bank, Insurance Agent or log on to **www.pmfby.gov.in**

Kisan Call Centre 1800-180-1551

PMFasalBimaYojana

www.pmfby.gov.in

pmfby

Crop Insurance (Farmer's app)

AFTER REPEATED ROUNDS of talks between the Centre and the farmers failed to reach an effective solution, on 12th January, 2021, the Supreme Court stayed the implementation of the three contentious farm laws until further orders.

Prior to this, a category of petitions were filed in the apex court challenging the constitutional validity of the farm laws and its impact on farmers along with infringement of the fundamental rights of other citizens. Therefore, a three-member bench comprising of Hon'ble Chief Justice of India, Hon'ble Mr. Justice A.S. Bopanna and Hon'ble Mr. Justice V. Ramasubramanian of the Supreme Court heard the different perspectives before passing the stay order on the laws. The bench hoped that both the sides will take the order in the right spirit and attempt to arrive at a fair, equitable and just solution to the problems.

It also went ahead and formed a four-member committee of experts in the field of agriculture to scrutinize the laws and resolve the impasse between the government and the protesting farmers.

The committee - Committee of Experts on Farm Laws - comprised of three agricultural economists - Ashok Gulati, Dr. Pramod Kumar Joshi and Anil Ghanvat – Ashok Gulati is former chairman of the Commission for Agricultural Costs and Prices (CACP) and Dr. Joshi is Director for South Asia, International Food Policy Research Institute while Anil Ghanvat is President of the Shetkari Sanghatana (a farmer union). Bharatiya Kisan Union President and former Rajya Sabha Member, Bhupinder Singh Mann was also a part of the investigating panel. But he stepped down later saying he did not wish to 'compromise farmers' interests'.

When ordering the formation of the committee, Chief Justice of India, S A Bobde clarified, "We want to solve the problem and that's why we are making the committee". The court further made attendance mandatory for representatives of all the farmers' bodies

The court said that "The representatives of all the farmers' bodies, whether they are holding a protest or not and whether they support or oppose the laws shall participate in the deliberations of the Committee and put forth their viewpoints."

Anil Ghanvat | Ashok Gulati | Pramod Kumar Joshi

Members of Supreme Court-constituted Committee

saying that, “The representatives of all the farmers' bodies, whether they are holding a protest or not and whether they support or oppose the laws shall participate in the deliberations of the Committee and put forth their viewpoints.”

According to the Supreme Court's instructions, the committee was required to meet within 10 days of its constitution and submit a report to the apex court in two months. The basic terms of reference of the committee were to study the farm laws in detail and talk to all the concerned stakeholders. The dominant manifesto was to take note of the grievances of the farmers as well as the views of the government before making studied recommendations to the apex court. It was hoped that the negotiations by the committee will create a more amiable atmosphere by improving the trust and confidence of the farmers and help end the deadlock between the Centre and the farmer unions.

But the farmers' groups rejected the committee on the grounds that all the members were already in favour of the farm laws.

After receiving the terms of reference, the three members held 12 rounds of consultations with various stakeholders like farmers' groups, farmer producer organisations, procurement agencies, professionals, academicians, private as well as state agriculture marketing boards and industry representatives from various states to understand the issues and to find a solution to the matter. This included Amul, ITC Limited, Sugana Foods, Confederation of Indian Industries, Federation of Indian Chambers of Commerce and Industry and Venkateshwara Hatcheries among others.

Working out of the Pusa Institute campus of the Indian Agricultural Research Institute, the panel consulted around 85 farmer organisations. It even sought comments, views and suggestions from the public through a public notice published in major newspapers. Invitations were also sent to unions which are both pro- and anti-farm laws. But the protesting farm unions refused to meet them.

The committee held nine internal meetings before finalizing its report of recommendations. This report was submitted to the apex court in a sealed cover envelope on 19th March. However, the process remained confidential as the report cannot be made public before the next hearing of the PIL.

Source: Secondary research & media reports

Consumers, Beware

Sympathy for Farmers – Is It Misplaced?

There is a huge hue and cry around the country regarding the three farm laws passed by the Central Government that are poised to change the face of the agricultural economy. With select factions of farmers protesting at the capital's borders, is the public sympathy for our agriculturists actually justified?

Does your heart go out for the farmers agitating against the farm laws?

Who's Right And Who's Wrong – Who Will Judge?

THE CENTRAL GOVERNMENT instituted a troika of bold and reformative legislations that will overhaul the way the farmers do business in the country. This is touted as a market-oriented reform that will restructure the agricultural economy by removing the existing manipulations, inefficiencies and irregularities, thus improving the lot of the poor farmers manifold.

However, the laws did not sit well with the farming community right from the beginning. The opposition parties labeled it as a 'Dark Day For Farmers' and there are calls from different groups to repeal the laws. What started as local agitations and demonstrations, scaled peaks of 2 to 3 lakh protestors from some 30-odd farmer organisations by January this year. Even now around 30,000 of them are parked at the highways leading to Delhi without any sign of relenting.

And how does the nation feel about this burning issue? The public sympathy was initially swaying in favor of the 'poor' and 'exploited' farmers. Everyone's heart was bleeding for the cultivators who constantly tackle the idiosyncrasies of nature to produce food for the nation.

Indeed, our conscience is pricked when they weep in the face of miserably low prices, we feel their pain when they lose their crops to unseasonal rains and floods and our hearts are in our mouths when we hear of farmers committing suicides to escape the quagmire of debts. Till now, many people are livid seeing farmers crying foul over the 'low prices', 'reduced bargaining power', 'corporate takeover of small farms' and more such anguish that is in the offing.

It's not just the consumers alone. The Indian farm laws drama has drawn international attention with the sympathy largely in favor of the farmers.

But could our overriding empathy and concern be misplaced? Aren't we kind of habituated to thinking the worst of the government and laying the blame at the door of our policymakers? Is there more to the matter than meets the eye?

Probing Deeper Into The Issues

The farm laws have been analyzed threadbare around every coffee table and water cooler with varied opinions, theories and conspiracies being aired at the drop of a hat.

Before we doubt the government's intentions as usual and side with the 'cause' of the farmers, let us consider whether the agrarian legislations are really a sellout to the corporate sharks, so to speak.

The latent fears and suspicions of the farmers are understandable. But why are they not willing to listen to logic and reason? The government has organized multiple rounds of talks and is willing to yield to some of the demands. There has even been an offer to put the laws on hold for 18 months. Could it be that the farmers' worries are unfounded and the laws are well-intentioned as being publicized? When the government is bringing more markets – that too to the doorstep – of the farmers, why don't the farmers want this windfall?

The protestors represent a small section of the farming community – mainly from Punjab, Haryana and parts of Uttar Pradesh – while the remaining majority seems to be silently convinced about the benefits of the new laws? Many of them are even welcoming the reform measures saying that they have been long overdue.

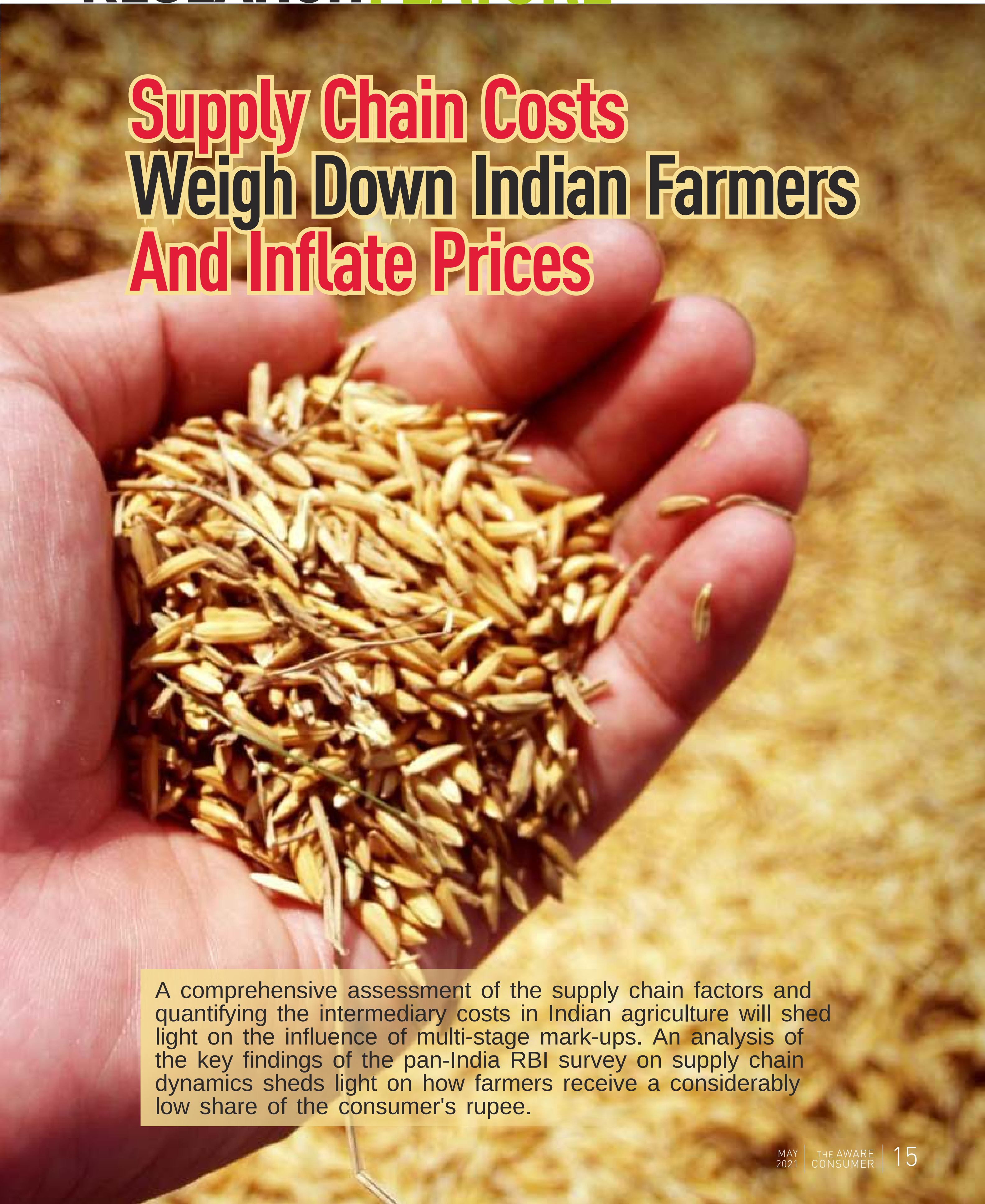
For that matter, there are loud suspicions that the protestors are not genuine farmers. They draw largely from the intermediary agents in the APMC mandis who will be most affected by the proposed changes and lose the 'easy money'. The agitations seem to be sponsored by not just people with vested interests but opposition parties too.

Is this an attempt to drown out saner voices among the farmers? Come to think of it, who is funding the months-long agitation as the farmers camp out at the borders of the capital? Where is all the money coming from? Why aren't the protestors open to negotiations with the government representatives?

The unexpected violence and breaching of the Red Fort to mount the Sikh flag on Republic Day in what was supposed to be a peaceful tractor rally speaks a gory story of its own. Is the continuing public nuisance justified? Have they become too entrenched in their stand against the 'authoritarian regime' to give ground now? Do they risk losing face by withdrawing the protests and returning to their homes?

This is food for thought - the consumers need to restrain their overflowing sympathy for the farmers and consider the issue from all angles. Let's give change a chance at least…

Source: Secondary research & media reports



Supply Chain Costs Weigh Down Indian Farmers And Inflate Prices

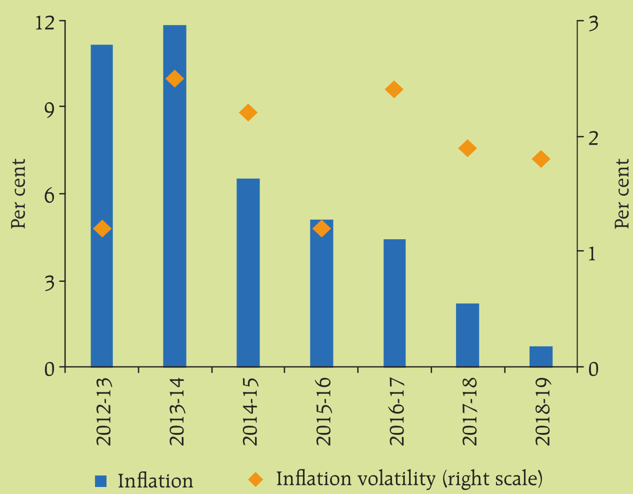
A comprehensive assessment of the supply chain factors and quantifying the intermediary costs in Indian agriculture will shed light on the influence of multi-stage mark-ups. An analysis of the key findings of the pan-India RBI survey on supply chain dynamics sheds light on how farmers receive a considerably low share of the consumer's rupee.

AGRICULTURE IS THE mainstay of India - it employs nearly half of the workforce in the country. India has experienced a remarkable growth in the production of various agricultural commodities over the last four decades. The production of food grains has been increasing every year, and India is among the top producers of several crops such as wheat, rice, pulses, sugarcane and cotton. It is the highest producer of milk and second highest producer of fruits and vegetables.

Despite achieving agricultural growth, farm income is not commensurate with the costs and efforts put in by the farming population. And yet, prices of food grains and food stuffs are exceptionally high in the consumer market.

The food and beverage inflation and inflation volatility are depicted in **Chart 1.**

Chart 1: CPI-Food and Beverages: Inflation and Inflation Volatility



Note: Inflation volatility has been measured using standard deviation.
Source: NSO; and RBI staff estimates.

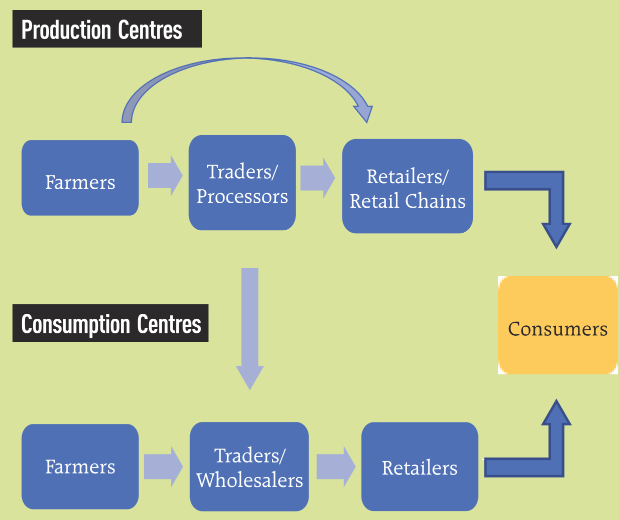
This is largely attributed to the inefficient and backward agricultural system prevalent in the country. Despite bountiful production, India ranks 11th in terms of food exports to the rest of the world. The Netherlands - a country that is smaller than the size of Delhi NCR - is the second biggest food exporter in the world and exports much more food than India. USA happens to be the largest food exporter in the world.

Supply Chain Dynamics At Play

Agricultural production is broadly categorized into the sub-systems of input supply, production, processing, sales and distribution to consumers and quality and food safety measures. However, these sub-systems of the agriculture supply chain in India are not properly integrated or managed at every level.

The typical agricultural market functions follow the supply chain of farmers, aggregators, traders/commission agents, wholesalers, processors and retailers – as depicted in **Chart 2** above.

Chart 2: A Typical Supply Chain in Agricultural Commodities



Let us examine the agricultural markets and the related intermediary costs in the country.

Farmers are required to sell their produce at state-owned mandis that are regulated by the state Agricultural Produce Marketing Committee (APMC) laws. The mandis levy a market fee on farmers who wish to sell their produce in the mandis. Then there are other charges for loading and unloading, weighing, cleaning, bagging, auctioning and other miscellaneous services. This makes the selling process in APMC mandis quite expensive for the farmers.

To add to this, there are market intermediaries who have to be paid a certain proportion of the selling price as commissions. Prior to this, the farmers have to arrange for their produce to be transported from their farms to their designated mandi, which involves costs such as transport and fuel.

Thus, the market price which the farmer receives for his produce is significantly lower than the price at which his produce is sold to the retailer. The conditions become so dire at times that the farmers even fail to cover their costs, let alone break even with the returns.

Assessing Supply Chain Costs

Understanding the mark-ups charged at different levels from farmgate to retail shops, the constituents of the mark-ups and identifying the factors influencing the mark-ups will go a long way in deciphering food inflation and volatility in India while comprehending the sorry state of the farmers.

The Reserve Bank of India conducted a pan-India primary survey of farmers, traders and retailers in December, 2018 to examine the role of mark-ups charged by different intermediaries in the agricultural markets that is creating a wedge between farmgate prices and retail prices and to understand the price formation process in food items.

85 Agricultural mandis across 16 states were visited during the survey and detailed information was sought on price formation of 16 major food crops covered in the Consumer Price Index-Combined (CPI-C) basket. The survey involved 9,403 respondents comprising 2811 farmers, 3184 traders and 3408 retailers spread across both production and consumption centres. Separate questionnaires were framed for each of the respondent categories - including both quantitative and qualitative questions - and covered information on buying price, selling price and margins.

As the supply chain dynamics were expected to be different in production centres (major producing centres of the selected commodities) vis-à-vis consumption centres (major cities), the survey was conducted in both select production and consumption centres separately.

The broad objectives of the survey are as follows:

(i) What is the share of producers (farmers) in retail prices?

(ii) What factors influence the mark-ups on farm gate prices – transportation, labour and storage costs, taxes/charges, number of intermediaries/middlemen and commissions charged by the agents?

(iii) What is the main medium of exchange used in the transactions – cash, cheque, digital/electronic payments and/or trade credit?

(iv) Whether farm gate prices compensate farmers for the costs of production?

(v) Whether and which government policies have been/will be helpful in better price realisation for farmers and stable prices for consumers?

Farmers' Average Share In Retail Prices

The results of this RBI Supply Chain Dynamics and Food Inflation in India 2019 were released in October, 2019.

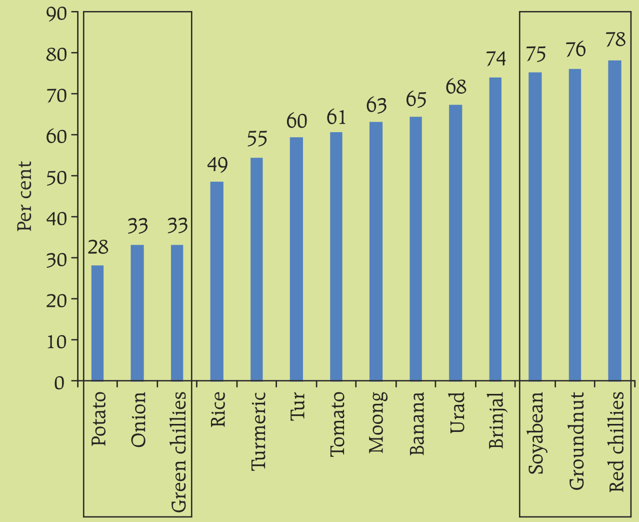
The average share of farmers in the consumers' rupee was found to be in a range of 28% and 78% for different food items. The share was much lower in the case of perishables (particularly potatoes and onions) and higher in the case of non-perishables (particularly oil seeds and spices). The farmers' share stands at a paltry 28% for potato, 33% for onion and 49% for rice. It was highest in the case of red chillies at 78% with ground nut averaging at 76%. Refer to **Chart 3**.

The variations in margins in food prices across crops and over time is depicted in **Chart 4** on next page.

This shows that farmers usually get a low price as a proportion of the final price paid by the consumers. Therefore, they have a much weaker bargaining power in the price formation process as compared to the traders.

The RBI survey further states that these findings concur with other studies conducted earlier. In order to validate these findings/check for the robustness of the survey

Chart 3: Farmers' Average Share in Retail Price



Source: Survey data; and RBI staff estimates.

results, another small sample survey was conducted in April 2019 (i.e., in the summer season) covering a sample of 197 farmers, 321 retailers and 434 traders across 12 states. The findings from the repeat survey were broadly in line with the main 2018 survey results. Only some commodity level variations were noted which can be attributed to seasonality and small sample coverage.

Other Findings

The original survey clarifies the factors that influence the price formation process - from the selling price received by the farmers to the selling price charged to the consumers by the retailers. The survey findings revealed that the mark-ups are influenced by a number of factors - commissions and mandi charges; loading/unloading charges; packing, weighing and assaying charges; transport costs; shop rentals and local taxes; storage costs and membership fees; and profit margins of traders and retailers.

Farmers
Mandi charges: 0.8 per cent
Commissions: 1.3 per cent
Loading/Unloading charges: ₹0.4/kg
Packing: ₹0.5/kg
Weighing: ₹0.3/kg
Assaying: ₹0.3/kg

How the mandi fees and expenses add up to the total cost for the farmer

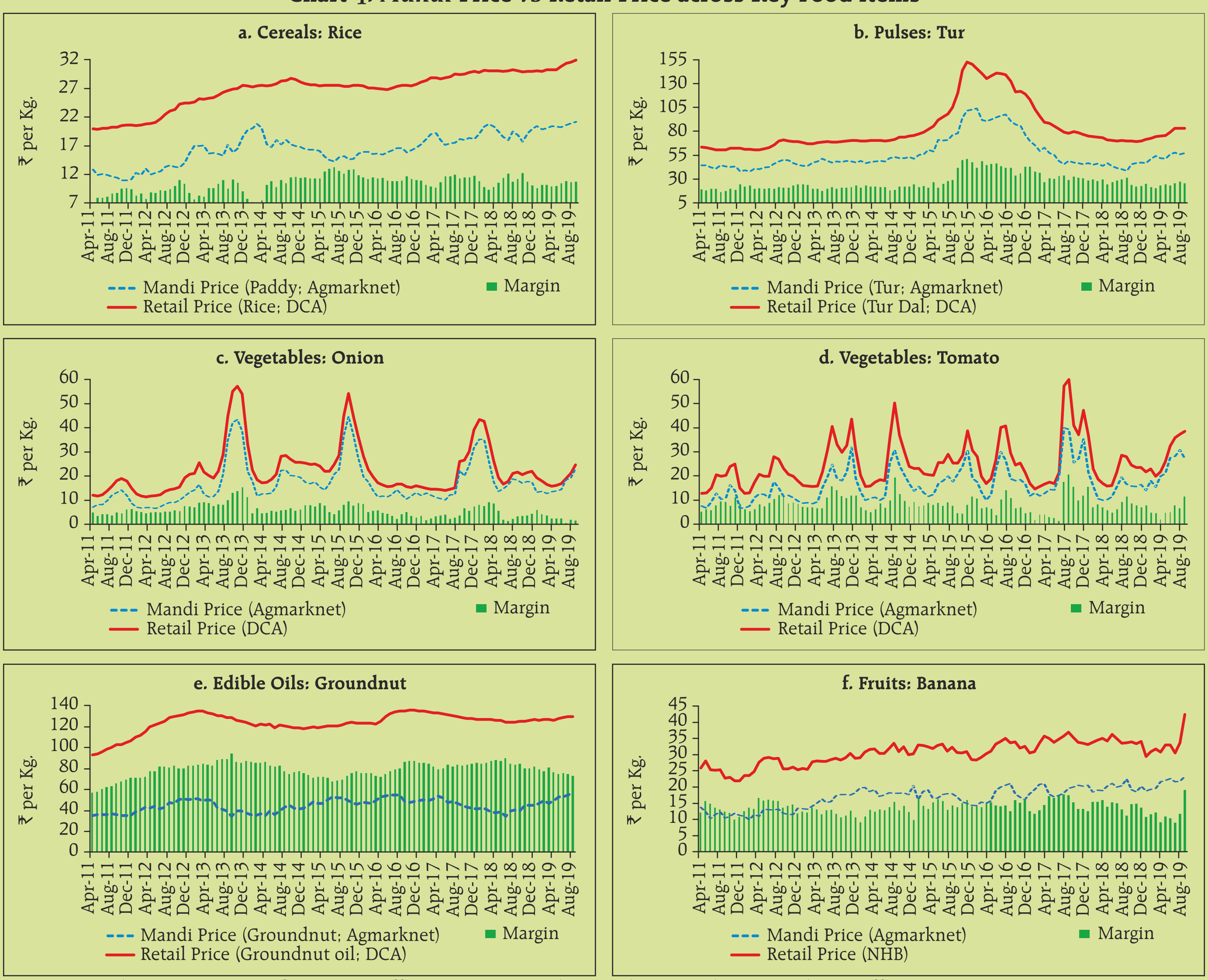
The survey also examined the mode of transactions by asking questions about which modes of payment - cash, electronic transfers, cheque, credit - are preferred for the transactions carried out at mandis and at the retail level. The results highlighted cash to be the dominant mode of payment in the mandis at an aggregate level across commodities and states. Most farmers got payments within a couple of days with only 9% getting payments delayed by a week to even a month.

When it comes to farmers' views about profitability of their occupation, i.e., whether they are able to recover their production and marketing costs, the qualitative responses of the survey at the aggregate level shows that as many as 38% of the farmers get a lower selling price than their costs. The survey findings indicated that the farmers' perceptions about their ability to recover costs varied across commodities – relatively lower for vegetables compared to other commodities.

Role Of Policy Interventions In Improving The Supply Chain

The survey also elicited feedback from farmers, retailers and traders on the government policies which have helped them or which can help them in the future, if implemented. A majority of the farmers were of the view that MSPs for crops and readily available market information are helpful in realising better prices. Farmers also revealed that reliable weather forecasts, improved storage facilities and government advisory on crops could help them take better cropping decisions. They are of the view that banning intermediaries and opening more food processing centres will help them in better price realization.

Chart 4: *Mandi* Price *vs* Retail Price across Key Food Items



Source: Agmarknet; Department of Consumer Affairs (DCA); National Horticulture Board (NHB); and RBI staff estimates.

Farmers usually get a low price as a proportion of the final price paid by the consumers. Therefore, they have a much weaker bargaining power in the price formation process as compared to the traders.

Previous Narratives on Price Formation in Agriculture

Earlier studies have also highlighted that agriculture marketing in India is fraught with inefficiencies that leads to a wide wedge between the farmgate prices and prices paid by consumers.

For instance, a study on the dispersion between wholesale and retail prices of arhar dal in the Mumbai market found that between 1999-00 and 2009-10, the price received by farmers increased by less than 5% per year, whereas its wholesale and retail prices increased by more than 10%. The profit margins for pulses had reduced by 30% for the farmers in 2016-17 itself. Other studies have also shown substantial variations in market fees and commission agent fees charged across states and commodities, notably, higher for perishables as compared to staple grains.

With a view to raising farm income, the government has implemented several policy measures in the recent years, such as launching of the National Agriculture Market - a pan-India electronic trading portal for creating a unified market for agricultural commodities and better price discovery - (e-NAM), raising MSP to 1.5 times the cost of production and delisting of fruits and vegetables from the APMC mandis.

However, based on the primary survey results of mandis across Karnataka, it was clear that infrastructure developments like online trading platforms alone cannot help farmers much unless the deeply entrenched farmer-agent-trader relationship is reformed. After the delisting of fruits and vegetables from mandis, direct sale arrangements have increased in the urban areas.

Conclusion

Various studies report that farmers receive only a minimal share of the price paid by the consumers, while multiple intermediaries get a large proportion of the consumers' rupee. The farmgate prices often do not compensate farmers even for their costs of production. Therefore, it is crucial to ensure more remunerative prices to the farmers while keeping food inflation low for the consumers.

Empirical results of the RBI survey suggest that factors contributing to greater efficiency in the supply chain such as better road network, mandi infrastructure, tele-density to improve flow of information, irrigation facilities to reduce supply uncertainties and increase in overall literacy levels in the country will enable greater consumer awareness and can help reduce mark-ups.

Source: Secondary research & media reports

Do Indian Consumers Support Farm Reforms?

While the farmers are protesting at the gates of the national capital, a survey reveals that majority of Indians are actually in support of the new farm laws. They agree that the laws are beneficial for the Indian farmers and the agitators should call off the protests.

AS SOON AS the three farm bills were passed by the Parliament and signed by President Ram Nath Kovind, the country exploded with protests. The opposition parties vehemently opposed the new laws and farmers' protests started erupting in different parts of the country.

A handful of states passed resolutions against the farm reforms to seek their withdrawal while farmers from Punjab, Haryana and Uttar Pradesh marched to Delhi demanding a repeal of the laws. In the face of the ongoing agitation, the Supreme Court stepped in and stayed the implementation of the farm laws. It has also appointed a special committee to look into farmer grievances related to the new legislation.

But what does the rest of India think about the new laws? News18 Network conducted a survey to gauge the sentiments of the Indian public regarding the liberalization of the agricultural sector. The survey was conducted in December 2020, covering 22 states with more than 2400 respondents.

The results revealed that overall support for the new laws across the country stood at 53.6%. The highest support for the new agri-laws came from the North Indians at almost 63.77%, followed by West India at 62.90%.

This shows that a majority of the population believes that the new reforms will benefit crop growers and the farmer protests are putting an unnecessary spanner on the reforms path. What's more, the support for the new legislation is strong in most agrarian states, especially in Uttar Pradesh, Madhya Pradesh Andhra Pradesh and Telangana. The only exception was Punjab where the response was a little muted.

Getting Down To The Details

A notable 60.9% of the respondents agreed that the farmers can get a better price for their produce after the new reforms while 69.65% agreed that giving farmers the choice to sell their produce outside APMC mandis was their right.

48.7% of the respondents were of the opinion that the opposition to the farm reforms was politically motivated. And 56.59% of the survey participants believed it was time for the farmers to call off their protest and go back home.

52.69% believed that the protesting farmers should not insist on repeal of the farm reform laws and must come to a compromise with the government. 53.94% supported the government's offer of a written assurance that MSP would continue and feel that the farmers should accept the same while 22.3% were not sure about the issue. Only 23.76% of the people did not support the government's assurance.

Nearly 3 out of 4 (or 73.05%) of the survey participants put their weight behind reforms and modernization in Indian agriculture with the highest support recorded in the southern states at 74%.

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It Follows That….

With a majority of the Indian population backing the long-overdue reforms, it is clearly misleading to define the protests as a mass agitation backed by India's 14 crore farmers. They do not have overwhelming backing as is being claimed by the opposition parties and the farmer unions participating in the agitation.

In case the new farm laws were bringing in restrictive measures that will hurt the interest of the farmers and consumers, it would have been opposed by the entire country. On the contrary, a huge majority of the farmers actually do not support the repeal of the laws and seem to be in favour of the structural reforms that will modernize the agricultural sector. It will end the monopoly of APMCs and mandis, remove the meddling middlemen and finally give the farmers a choice by providing access to a single market.

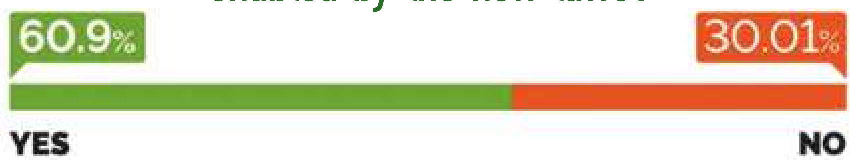
The laws further allow private businesses to directly trade in farm produce, store it in unlimited quantities and enter into contract farming The gripe that the farm laws will lead to takeovers of agricultural lands by corporates is nothing but mischievous rumor-mongering.

The Shetkari Sanghatana - a farmers' union in Maharashtra - supported the new laws saying that it should be left to the market to decide the prices of agricultural commodities. The union leaders claim that the minimum support prices have actually weakened farmers, instead of empowering them.

It should be noted that the annual Economic Survey, 2021 strongly defended the new farm laws, saying they herald a new era of market freedom which can go a long way in improving the lives of the small and marginal farmers in India. It goes on to say, “Several Economic Surveys have expressed concern at functioning of the APMCs and the fact that they sponsor monopolies. Specifically, Economic Surveys for the years 2011-12, 2012-13, 2013-14, 2014-15, 2016-17, 2019-20 focused on the reforms required in this

SURVEY ON FARM REFORM

Do you think farmers can get a better price for their produce because of wider choice enabled by the new laws?



Do you support the government’s offer of a written assurance that the MSP system will continue?

context.” It further states that the unnecessary delays and inefficiencies in the mandis lead to large post-harvest losses for the farmers – 4% to 6% in cereals and pulses, 7% to 12% in vegetables and 6% to 18% in fruits. The total post-harvest losses were pegged at a massive Rs.44,000 crores (at 2009 wholesale prices).

Conclusion

Fact of the matter is that the farmers have been exploited for 70 years. The farm sector is weighed down by outdated laws and systems. Farm produce of Indian farmers cannot even move freely within India while food imports enjoy a free run. This is the first serious attempt to reform the agricultural laws and improve the lot of the farmers. But it is being railroaded for obscure and selfish reasons.

The farmers have to be allowed to deal directly with the consumers (without any middlemen and trade-restrictive laws) so that they can earn decent money that will justify their backbreaking toil on the land. This will also lower the prices for the end consumers.

What's more, there is massive potential for growth in the agricultural sector once private capital and latest technology starts flowing in. India can even transform into the largest food exporter in the world!

Source: Secondary research & media reports

What If The Farm Laws Are Repealed?

The agricultural reform laws are riding on a history of prolonged efforts to streamline the regulatory environment of agricultural markets and allow more room for private players. If the efforts are derailed now, there will not be any scope left in the future!

"The farmer is the only man in our economy who buys everything at retail, sells everything at wholesale and pays the freight both ways!"

– John F. Kennedy

While the farmers have made India extremely productive with their sweat and toil, the issue of profitability in the agriculture sector was always being side-lined. This ordinance is a step towards normalising farming in India, and allowing farmers to reap the benefits of freedom that other sectors in India take for granted.

INDIA IS PRIMARILY a farming country with agriculture forming the backbone of the country. However, the actual statistics are quite grim. While 58% of the population relies on agriculture as a source of livelihood, it essentially contributes only 16% of the GDP. In 2020 the sector has grown by 4%.

Moreover, India has a majority of small and marginal farmers. There are an estimated 146.5 million farms, of which an overwhelming 86% are less than one hectare in size. To add to this, while the small farmers comprise 78% of all farmers, they own only 33% of the total cultivated land and produce 41% of the country's food grains.

As per the National Sample Survey Office (NSSO), 2014, the households operating and managing farms of under one hectare reported earning less than their monthly household expenditure and 52% of these households had substantial debt. This is inspite of the fact that the farm households do not sustain themselves on agriculture alone; 32% of their income comes either from working on others' farms or in non-farm occupations.

The irony is that even Punjab - the state that is driving the protests against the new farm bills and has prospered the most from agriculture - still has its fair share of small farm holders that do not get fair prices or incomes to sustain their livelihoods. It stands to reason that the income from farming has not kept pace with incomes from other professions.

Why is the Farmer Suffering?

The small and marginal farmers are not just food producers in the economy. They are also consumers as they buy grains, vegetables and other foodstuffs in the market just like the rest of the non-farming population. Therefore, they also feel the pinch every time the prices go up and it plays havoc with their paltry budgets.

Now they are worried that the new farm laws will give them still lower prices for their produce and pave the way for corporate takeovers of their small farms. And they will still be paying through the nose for the food they eat.

The Reality No One Is Talking About

The deregulation and restructuring introduced by the agri-laws may seem like a sticking point right now. But fact of the matter is that such agricultural market reforms have been discussed again and again since the past two decades by various governments and opposition parties. Earlier governments at the centre have also faced huge challenges in pushing through any reforms as they were constantly facing blockades by the agricultural traders who were hand-in-glove with the local politicians. It is surprising to note that the opposition parties are opposing the very same policy changes that they were championing when in power. Not just this, they are even accused of misleading the farmers and instigating them to oppose the landmark legislation.

Even most of the agricultural economists in India have been pushing for marketing reforms in agriculture and many committees have also made remarkably similar recommendations in the past. So much so that, in 2017, noted economist, Ashok Gulati declined to become part of a NITI Aayog panel on reforming the agriculture sector by 2020. He argued that a couple of committees have already made recommendations without anything being implemented and similar exercises will only be a flash in the pan.

Surprisingly, some of the economists who were recommending the reforms in the earlier government have switched sides now and contend that the new laws are the doorway to exploitation of farmers by private entities.

Farmer activists and even farmers themselves have been equally vocal about the failure of the current APMC-centric system to secure fair and remunerative prices for the farmers.

With the entry of private players, all the 6.65 lakh villages will transform into investment destinations and the inflows will revamp the entire rural economy. Agriculture and agro-based industries will emerge as the biggest drivers for sustainable employment and income generation in the country.

The Writing on the Wall

Our Honorable Prime Minister, Mr. Narendra Modi is spearheading the reforms with a vigilant focus. He dubbed it a 'watershed' moment in the history of Indian agriculture. Experienced techno-legal expert in food, consumer products and agri-commodities, Vijay Sardana, astutely observed, “This reform is the biggest reform in human history and maybe the biggest reform that will impact the maximum number of people and their livelihood. This reform will change all key dimensions of Indian society - i.e., economic, social and political dimensions.”

With the entry of private players, all the 6.65 lakh villages will transform into investment destinations and the inflows will revamp the entire rural economy. Agriculture and agro-based industries will emerge as the biggest drivers for sustainable employment and income generation in the country.

Finally, it is food for thought that every groundbreaking reform in the country has faced opposition and evolved on the go. It will be a terrible precedent if the farm reforms are revoked in the face of public pressure and protests. The farmers will be exploited all the more because the intermediaries will be convinced that no other reforms will be forthcoming ever again. The only winners will be the agents as the farmers will have to go back to their terms and will never get the option of alternate buyers in the market….

Conclusion

As long as farmers are poor; consumers will remain poor!

Source: Secondary research & media reports

Getting To The Heart Of The Contentious Farm Legislations

The government has been crying itself hoarse that the three farm laws are in the interests of the farmers. But the protesting farmers are sticking to their demand of a complete repeal of the laws. Let us take a look at what the laws actually say…

THE THREE AGRICULTURE-RELATED bills were first introduced by the Central Government on 5th June, 2020 as ordinances. They were subsequently approved by the Lok Sabha on 17th September, 2020 and the Rajya Sabha on 20th September, 2020. After the President's assent on 27th September, 2020, the three key legislations were published in the Official Gazette as:

1) **The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020**
2) **The Farmers (Empowerment and Protection) Agreement of Price Assurance and the Farm Services Bill, 2020**
3) **The Essential Commodities (Amendment) Bill, 2020**

1. In simpler terms, this can be dubbed as the APMC bypass law. It will finally free the farmers of the stranglehold of the outdated and exploitative APMC (Agricultural Produce Market Committee) mandi system. Farmers now have the option to sell their produce anywhere and to anybody they wish - within the state or anywhere else in the country.

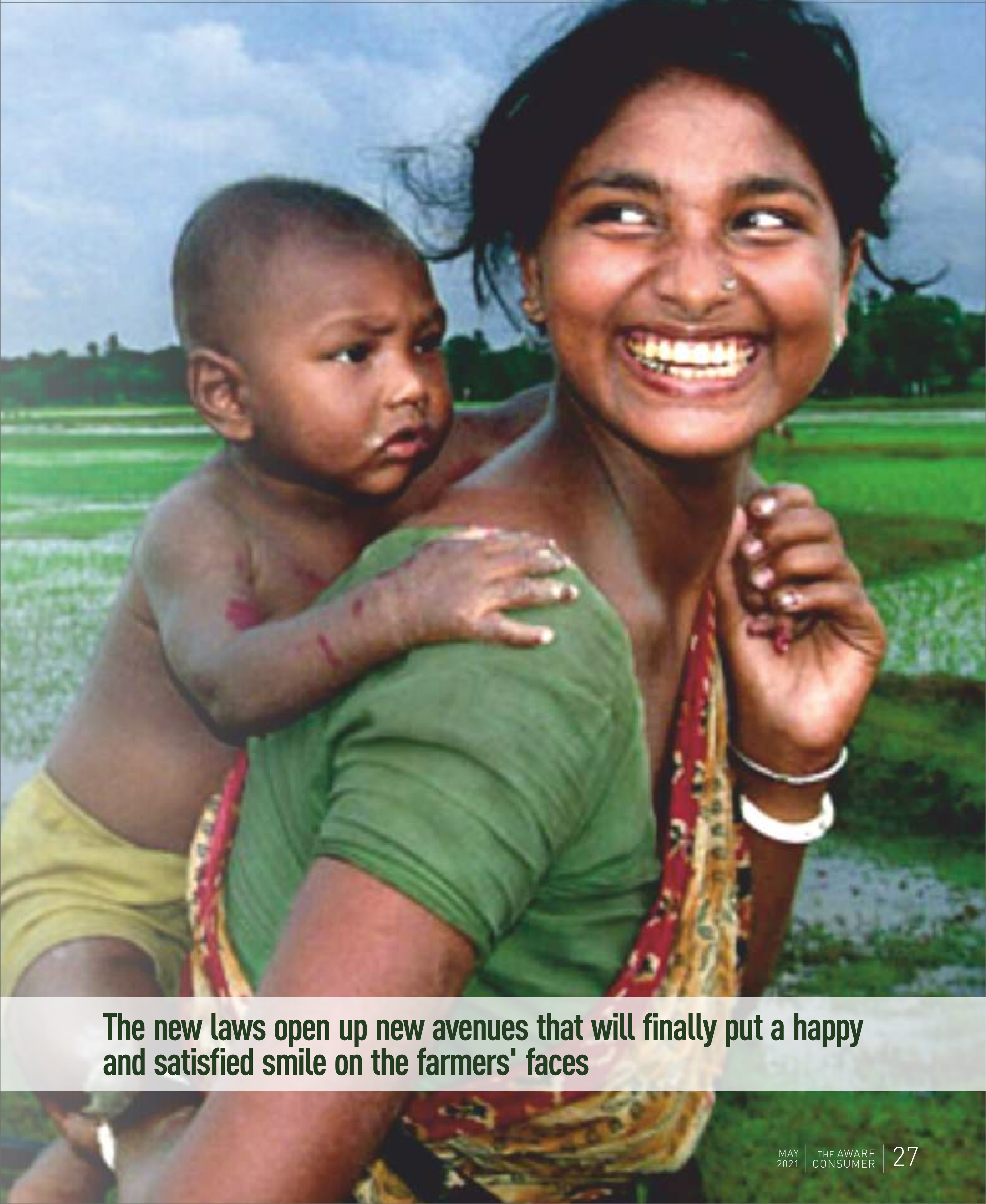
This will deliver greats benefits as they can pick and choose the merchant who offers a high price – be it a trader, a manufacturer, a retailer, a corporate, an exporter or the consumer himself. As there will be no tax (imposed on mandis by state governments), cess or levy on such trades and the farmers do not incur transportation costs, they get to pocket the full price too.

The buying parties do not require a license anymore; any one holding a PAN card can purchase directly from the farmers. An electronic trading platform has been proposed for ensuring a seamless trade electronically.

In case of any dispute, the matter will be settled within 30 days by the Sub-Divisional Magistrate (SDM). There are also provisions of heavy penalties for violation of rules and regulations.

2. This can be termed as the Contract Farming law as it provides a national legal framework for farmers to enter into pre-arranged contracts with processors, wholesalers, aggregators, large retailers, exporters and other buyers for a period of five years. The price, quality and quantity will be pre-fixed thus guaranteeing a healthy remuneration to the farmers even before they sow the crops. The price has to be paid in advance (within a maximum of 3 days) and the pre-determined price will not be affected by any declines at the time of harvesting. On the other hand, if the market price is higher, the farmers will be entitled to this profitable price much above the minimum price. Therefore, the farmers are finally protected from the volatility of market prices as the risk of market unpredictability shifts to the sponsors who can still absorb the difference.

This move will inject capital and modern technology into agriculture as the corporates will be interested in equipping the farmers with the best resources to improve the yield. It will also mitigate the cost of marketing and other expenses, thus increasing the income of the farmers.



The new laws open up new avenues that will finally put a happy and satisfied smile on the farmers' faces

The law also defined an effective dispute resolution mechanism with distinct timelines for redressal. But it is clearly mentioned that the land will firmly remain with the farmer itself. Even in disputes, the land cannot be touched to recover the payment or dues.

3. The term 'Deregulation of food items to permit stocking' will clarify the third and final law in the troika of farm regulations. The government removed foodstuffs such as cereals, pulses, potatoes, onions, edible oilseeds and oils from the list of essential commodities, thus eliminating the stockholding limits thereon. This deregulates the production, supply, distribution and stocking of these food items except under 'extraordinary circumstances' like steep price rise, war, floods, famine and other natural disasters.

Therefore, the earlier government-mandated constraints of stock limits on agricultural produce are being eased to stabilize prices by driving supply chain efficiencies through access to stock. As the corporates can now legally store the above-mentioned items and harness the ensuing economies of scale, it will attract private investment in the food supply chain. Cold storage and other modern services will make their way into the agricultural sector, thus improving quality and reducing prices in the market.

This has a two-fold effect. Even the agricultural workers can use the storage facilities and wait for some time till the demand or prices perk up a bit without the bane of restrictions on 'hoarding'. This will ensure they get fair prices in the long run.

On 20th September, 2020, Prime Minister Narendra Modi referred to the new laws as a watershed moment in the history of Indian agriculture; he pronounced that this will 'ensure a complete transformation of the agriculture sector' and empower tens of millions of farmers. In his Mann ki Baat radio address on 29th November, 2020, he further said, "….all political parties had been making promises to the farmers but now these promises had been fulfilled."

The agri-laws are thus poised to be a game-changer that will empower the farmers and transform the agricultural outlook in India. This will benefit both the farmer and consumer. The farmers will start getting better realization for their investment and efforts in the form of a more reasonable price for their produce on the one hand and the prices will slowly come down in the markets as the huge intermediary costs will be eliminated on the other. The consumer will definitely witness an improvement in both the quality of foodstuffs and also the packaged foods sold by the food processing businesses.

However, in stark contrast, the laws have inspired vociferous protests from different quarters right since September 2020. Farmers in North India – specifically Punjab, Haryana and parts of Uttar Pradesh – called for bandhs, went on hunger strikes, organized rail rokos and have been agitating at the borders of Delhi since months. On 12th January, 2021, the Supreme Court went ahead and stayed the implementation of the farm laws and appointed a committee to look into farmer grievances related to the farm laws.

The price, quality and quantity will be pre-fixed thus guaranteeing a healthy remuneration to the farmers even before they sow the crops. The price has to be paid in advance (within a maximum of 3 days) and the pre-determined price will not be affected by any declines at the time of harvesting.

The Grievances

Farmers across the country have called the new Acts as 'Black Laws'. There are fears that this is a veiled step towards dismantling the APMC mandis and the government will even stop procuring food grains at the Minimum Support Price (MSP). The overriding trepidation is that abolishing the MSP system will eradicate their assured income from farming.

There is another bone of contention - the farmers will not really get more choice or even a better price. The retailers and corporates will become the new monopolies as the powerful private players can organize cartels and flex their muscle to dictate lower prices for the crops.

The farmers are again swinging away from the purging of price uncertainty through contract farming. There are arguments of previous experiences with contract farming that has not proved to be beneficial for the farming community. The malpractices actually forced them into indebtedness and loss of autonomy.

Furthermore, the deregulation of food items is deemed as a huge benefit for the corporates alone who can legally hoard foodstuffs to artificially inflate the prices and pocket undue profits.

The Case Against The Grievances

The Central Government has been repeating again and again that the new farm laws are a move to liberalize and privatize the agricultural sector for the primary benefit of the farmers. It will open up new opportunities that will free them from the clutches of the middlemen and end the historic exploitation that has been going on since the past 70-odd years.

Private investment will strengthen the farm infrastructure – something that the governments have not been able to do because of economic constraints. With the entry of private players, the food markets are primed to grow exponentially.

Both farmers and consumers will reap the benefits of the widened markets, the removal of taxes and levies, the open competition and the technology influx. It is oft-noted that middlemen usually charge higher prices than organised retail players and this move will definitely lead to a decline in food prices in general.

The government is even open to making amendments – like mechanism for registration of private mandis and states allowed to levy tax on private sales - to appease the agitating factions, but they refuse to bow down and continue to demand a complete repeal of the laws.

The Chief Economist of the International Monetary Fund, Gita Gopinath, said the "farm bills…. are very important steps in the right direction". On January 1st, 2021, 866 academics from several educational institutes signed an open letter expressing their support for the three farm laws. On February 4th, 2021, the US State Department expressed support for the laws by upholding that they will improve market efficiency and private investment.

Conclusion

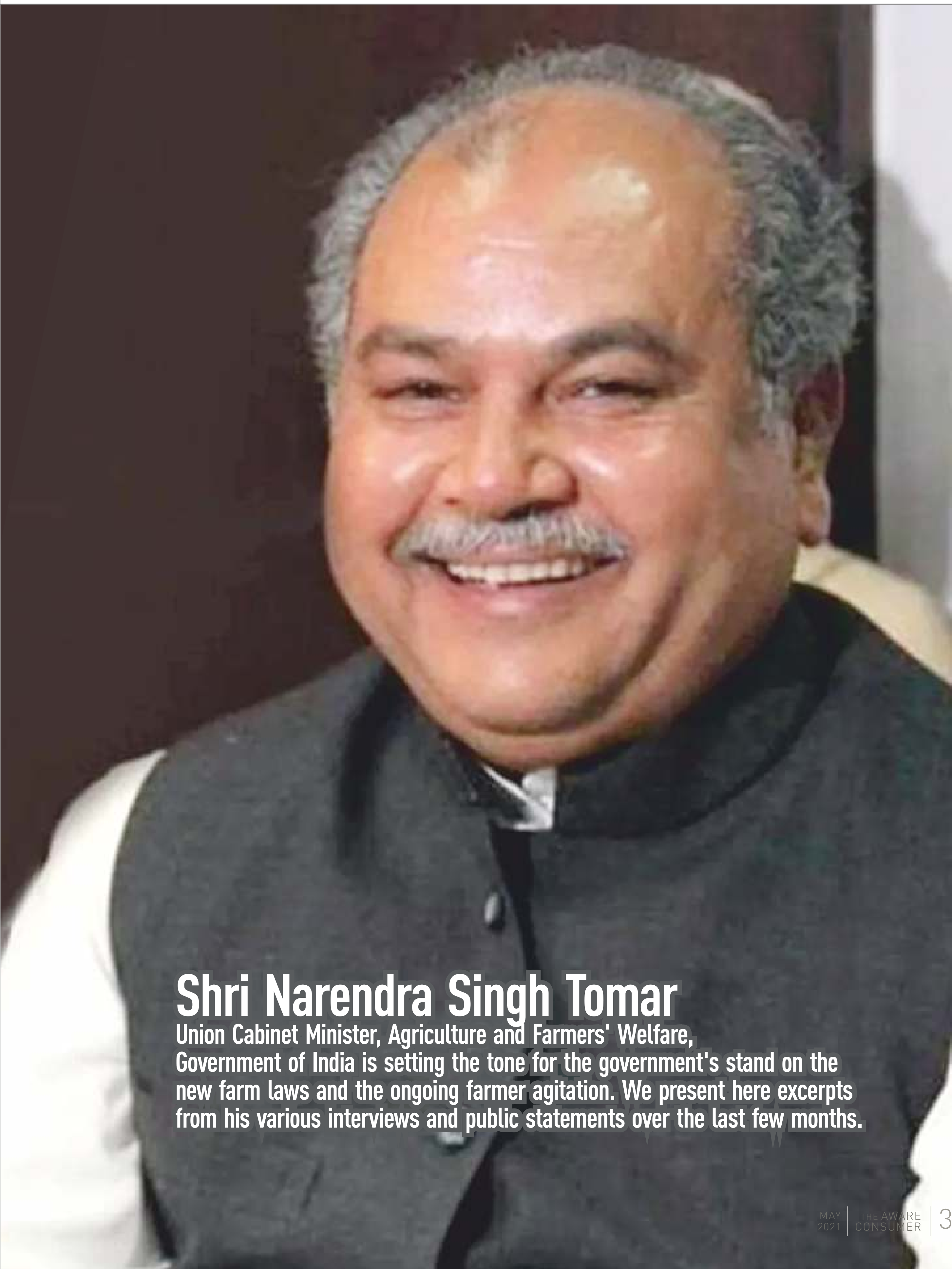
The voices of dissent are welcome as is the rule of our democracy. But the protestors should be willing to have rational discussions and reach a logical settlement rather than making the issue a stalemate. The consumers should also voice their opinions rather than staying quiet and letting some vested interests hijack the development of the country and push it into anarchy.

Source: Secondary research & media reports

"Those who believe in status quo can't make history! – Tomar"

Farmers with their children protesting on the railway tracks in Punjab

Union Agriculture Minister Narendra Singh Tomar has held eleven rounds of talks over the past several months with the farmer unions who are now agitating at the doorsteps of Delhi. Ruling out a complete repeal of the three farm laws, he had requested the leaders to reconsider the demand for suspending them. He has repeatedly stated that the government is open to addressing their misgivings clause-by-clause and willing to consider amendments based on their apprehensions.



Shri Narendra Singh Tomar

Union Cabinet Minister, Agriculture and Farmers' Welfare, Government of India is setting the tone for the government's stand on the new farm laws and the ongoing farmer agitation. We present here excerpts from his various interviews and public statements over the last few months.

Q What is the government doing to end the stalemate with the leaders of farm unions who are protesting against the three farm laws?

Right from the beginning, we have been asking the representatives of farm unions about their reservations on the provisions in the law. We are ready to discuss those which are not in the interest of farmers. I request the agitating farmers to first read the provisions of the farm laws and have an open-minded discussion with me on the provisions of the laws. But they don't want to discuss (the laws) clause by clause.

They expressed their views but not on the provisions of Acts. After 2 to 3 rounds of talks, when they did not talk about these provisions, then I identified a few issues such as concerns regarding APMCs, demand for civil court instead of dispute resolution by Sub-Divisional Magistrate, registration of traders and registration of contract farming. I told them that we are ready to discuss these.

Then they raised the issue of stubble burning and the Electricity (Amendment) Bill. I said we are open for discussion on these issues also. So, in the meeting on December 3rd, it appeared that we have identified all the issues on which farmers wanted to discuss… But in the next round of talks they did not discuss these issues and remained stuck to their demand of repeal of the Acts… Our stand is very clear since the beginning — tell us your concerns, we will address them.

We have given all possible options to them. The government took a step forward and sent a draft proposal to the farmer representatives highlighting issues that were of concern to the farmers with a possible solution to it. The government wants that farmers can buy expensive crops, put in more investments, get better raw materials because our intention is to benefit and uplift the farmers.

There are no problems with the laws, but the government has still offered to suspend them for one and a half years with respect for farmers' sentiments. We have also set up a joint panel to discuss the issues with the Acts. Now they must internally discuss the proposal of suspending laws, rethink on the matter and convey the decision. The next round of meetings can take place only if farmer unions are ready to discuss the proposal on suspending laws.

Q What is your opinion about the farmers' fears over the provisions of the new Acts? What is the government willing to do to resolve these apprehensions?

I too come from a farming background and have been a farmer. It is because of my present job profile that I do not get sufficient time to do farming.

I have been in discussions with Prime Minister Narendra Modi on the developments, and it is with his due guidance that I have been in talks with the agitating farmers. The PM is with the farmers and he is reiterating the fact that farmers should know about the farm laws and these provisions of the farm laws need to be discussed with them.

I assure the farmers that there is no danger to the Agricultural Produce Market Committee (APMC) (mandis) and the Minimum Support Price (MSP) will remain untouched. With the new laws in place, farmers will get the freedom to sell their produce to whomsoever they want to and at the price they choose to sell their produce. As the farmers need not pay taxes in the APMCs, it will be the farmers who will be benefited. If State wants, then it can put some sort of cess on private mandis, so that APMCs are not affected.

We have given the provision that in case of any controversy the farmers can go to the SDM to resolve disputes. This is only because the courts are already over-burdened and it will take time for the farmers to get their disputes heard, SDMs have been given the right to listen to such pleas. However now that farmers want the courts to hear such pleas, the government brought in the clause in the proposal allowing them to go legal.

The government is sensitive towards farmers and has been in discussions with them and their representatives to resolve their concerns. We are willing to make reforms in the laws. But some people have vested interests, so they don't want a solution to the problem.

I think we will find a solution. I am hopeful. I would like to urge the farmer unions that they should break the deadlock. I request them to stop the agitation in the interest of the common people.

Q Amendments proposed by the government dilute the reforms, which are necessary for growth of agriculture. You are also ready to bring an amendment to allow states to levy a cess on private markets. Since you have yielded so much, why not repeal the laws?

The essence of the laws is still there. But whatever we could do to find ways to resolve the concerns of farmers has been done. We have made that attempt through the amendments. The reforms were aimed at increasing competition; so far only licensed traders could buy in the mandis, now everyone can. As competition increases, the farmers will get better remuneration.

"Realizing the significance of FPOs (Food Processing Organizations), the Government had announced in the Union Budget formation of 10,000 new FPOs, by 2023-24 in the country with an estimated spending of Rs 6,865 crore. Farmers can get the benefit of reduced costs, better market and integrated irrigation facility by joining FPOs. FPOs will be given a 3% rebate in interest for loans."

The reforms will continue. Take for instance contract farming, it is aimed at ensuring a guaranteed price for their produce, security of their farming land, increase private investment and addresses the issue of globally followed agricultural practices.

Q What about the farmers fear that the reforms benefit corporate entities more?

The fear that it will take away their land is baseless. So far in states such as Maharashtra, Punjab, Haryana, Gujarat and Karnataka contract farming is already being practised. So far no one's land has been grabbed. In the act we have made a provision that the farmer can opt out of the contract, but the buyers cannot and if they do, then they have to pay a penalty of 150%.

Contract farming will benefit the farmers in the long run. Private investments are important for the agriculture sector to develop it further and also for farmers to increase their income.

Q During the debate on farm bills in both the houses of the Parliament, members from opposition parties had expressed their concerns regarding several provisions of the Acts including the sections related to dispute resolution mechanism. Why did the government not send these bills to a Select Committee?

Only complex and lengthy bills are sent to the Select Committee or the Standing Committee… These are small Acts and have been debated for years. In the Congress or the UPA regime, the then Prime Minister and Agriculture Minister were also keen to undertake these reforms. It was there in the 2019 Congress manifesto. If there is something in the manifesto, it means that there is an agreement… So, these reforms were not so complex to be sent to the select committee… people were waiting for these reforms for years.

There is a place for disagreement in democracy and so is for opposition and difference of opinion, but should there be any opposition that can harm the nation?

They are calling these Acts black laws. What is black in these laws? I have been trying to know this from farmers and the opposition so that we can correct it. I challenged the opposition and protesters to point out any flaws in the laws, but nobody has come forward with anything. No one is ready to talk on how these protests can be in the interest of farmers.

The NDA government is fully committed towards farmers. Today, farmers are getting support pouring in from all sides, nationally and internationally. The protestors are not a crowd, but our annadatas, thanks to whom we are all alive today, including people in the government. The common farmer is able to understand what the government is trying to convey to them but maybe for some, it has become an ego issue about repealing the laws. I appeal to the farmers not to fall for those who are trying to mislead them.

Q Do you think that the protests are only limited to a few states and not in other parts of the country?

The protests are only in Punjab.

Q So, tell us, why is it that only Punjab farmers are protesting against the farm laws?

I think the mandi system is more robust in Punjab and some people have greater faith in that system. That's why the protests are taking place. Besides, there is an impact of party politics on the start of the protests. The farmers are being misinformed and instigated.

Q Earlier, you said people protesting against the farm laws, are the same as those who protested against the Ram temple, repeal of Article 370 and the CAA. But there was no protest on CAA, Ram temple and Article 370 in Punjab, then what is the basis of your claim?

Actually, I did not mean that. I said that there are some people, who in the guise of farmers' protests, want to achieve their goal. These are the very same people who protested the above issues. For instance, why do you demand the repeal of the Acts? You can discuss the provisions of the Acts which are against the interests of

the farmers. If the government addresses those issues, then the agitation should also end. Whatever information we got from the media, we saw that other elements have entered in the movement and are misusing farmers' platforms.

I was surprised to see that there is a demand from the farmers' platform for the release of Umar Khalid and Sharjeel Imam. Why should that platform be used for such a demand? What good deed have the people done whose release has been demanded? When I saw this, I made that statement. So, I had not stated this about the farmers or farm unions, my statement was meant for those who want to misuse farmers' platforms to achieve their goals.

Q You have said that the government is ready to give a written assurance on MSP. How will it be done? Through an executive order?

The MSP is being implemented through an administrative decision of the government. It was in force in the past, it is in the present, and it will continue in the future. We have made it clear that no one should have doubts about MSP.

Q The farmers in Punjab fear that the government will put a ceiling on MSP-based procurement in coming years. Have you assured the farmers that there will never be a cap on procurement?

There is no need for fear. We have stated that the procurement will continue. The Prime Minister has also said this. However, we are ready to give it in writing also. We don't have any problem with this.

The government is committed to the welfare of the farmers. We are working towards increasing agricultural production and productivity. Attempts are being made to improve agri-infrastructure across the country. I am hopeful that the farmers will recognize the benefits of the reforms.

Q Has the government decided that it will not repeal the laws?

The three farm laws are part of the government's move to ensure profitable prices for farmers. The government has an open mind and is ready to make amendments in the laws. I will say only that instead of discussion on repeal (of laws), people need to discuss clause by clause.

Q What is the government's policy on the new laws and how does it plan to actually put the laws into operation? What can we expect in the future?

The laws give farmers alternatives to sell their produce outside 'mandis' and unlike the state government notified market places, such sale will not attract any tax. I feel the agitation should have been against the tax levied (by state government) in the mandis but strangely the protests are against freeing of the system from such taxes. The three laws will help farmers fetch more prices in the market. These laws will also boost investment in the farm sector.

Realizing the significance of FPOs (Food Processing Organizations), the Government had announced in the Union Budget formation of 10,000 new FPOs, by 2023-24 in the country with an estimated spending of Rs 6,865 crore. Farmers can get the benefit of reduced costs, better market and integrated irrigation facility by joining FPOs. FPOs will be given a 3% rebate in interest for loans.

There is a pressing need to increase private investment in the farm sector. I call on the entrepreneurs to set up food processing units in the country. The government is granting speedy approvals to the FPOs and I assure you that we will provide all possible help.

I hope this dedicated new Central Sector Scheme “Formation and Promotion of 10,000 Farmer Producer Organizations (FPOs)" will serve its objective fully and farm economy will get a further boost.

Q Is the BJP worried about the electoral impact this agitation will have?

It is imperative that when we go out to do something good there is a period of struggle and pain. Itihaas wohi banate hai jo itihaas se aage nikal jaate hai (those who move ahead of times make history) and those who believe in status quo cannot create history. Even the UPA wanted to make these reforms but they couldn't!

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Pyush Misra
Trustee,
Consumer Online Foundation

The Case For The Deregulation by the Farm Laws

The hands that toil the land, produce food and feed the public should rule the world. Alas, the harsh reality in India is that the poor and suppressed farmers are actually right at the bottom of the pyramid. Finally, a government seems to be trying to improve their lot with bold and reformative legislation.

THE INDIAN FARMERS have been exploited for the 70-odd years since Independence. The laws that were constituted to safeguard the agriculturists ended up oppressing and manipulating the very people they were meant to protect.

Indeed, the first government of independent India was focused on keeping a check on the prices of food for the consumers and agro-raw materials for the industry to ensure affordability in the market. In the wake of price control mechanisms came the issue of protecting the interest of farmers and providing them incentives to augment the production of agricultural commodities. With the farmers facing heavy losses in the face of unjustifiably low prices, marketing costs and loss of produce, the Indian government instituted a machinery for regulating the practices in primary wholesale markets.

Organized agricultural marketing was introduced through regulated markets in the form of well-laid out market yards and sub-yards that came to be known as APMC mandis following the Agricultural Produce Market Committees that were constituted to frame the rules and enforce them.

This was supposed to put an end to the undue exploitation as all the food produce was mandated to be brought to these markets and sales made through open auction. These markets geographically divide every state and farmers have to sell their produce in the designated mandi only. Licenses are issued to the traders to operate within a market. The wholesale and retail traders, agro-tech companies and other purchasers have to buy through these agents and cannot purchase directly from the farmers.

In reality, the tables turned on the farmers as they are now being exploited by these licensed traders and agents (also known as adithis or arhatiyas). They form cartels and leave the farmers with no choice but to accept their terms or take their produce back to their farms.

The agents charge fees for unloading, cleaning, weighing, bagging, auctioning and other miscellaneous services. The traders have their own people bidding in the 'open auction' and the 'system' works hand-in-glove to keep the prices at the bare minimum. The farmers do not have adequate infrastructure to store their produce till they can get a better price which forces them to sell at the low prices despite the actual high demand prevailing in the market.

No prizes for guessing who stands to profit here as the actual price the consumer pays for the food grains, vegetables and fruits is hundreds of times higher than the price paid to the farmer.

In case, the farmers fail to get a satisfactory price in the open market, they can always sell at MSP in the APMC mandis like earlier.

The troika of farm laws passed by the Parliament and assented by the President primarily aim at deregulating the agricultural market across the country. This is a consolidated attempt to liberate the farmers from the cartels by affording them the freedom of a market of choice. The APMC mandis no longer have to be the first point of sale as the farmers are free to deal at the farmgate or wherever they wish.

Further, the laws also permit contract farming at a pre-decided and mutually agreed price. The farmers can enter into a contract with a trader, retailer or food processing business to produce a particular commodity of specified quality at an agreed price. Many of the essential commodities have been delisted, thus removing the stockholding limits. This allows agro-businesses to store large quantities of the farm produce, something that would have invited legal action and punishment earlier.

Therefore, the farm laws actually eliminate the atrocious middlemen and put the farmers in direct contact with the manufacturers, retailers, exporters and even the consumers for the very first time. The free market forces will come into play and ensure that the farmers get a better price for their produce. They go home happy and as the intermediary costs come down, ultimately, the consumers also have to pay less for the food they buy from the market.

The contract farming works as a price assurance even before the farmer can sow the crops as they will get a decent price for their crop. The payment is actually done in advance – within three days itself – and will not change even if prices happen to fall at the time of harvest. The risk of loss due to pests or natural calamities is shifted to the contractor instead of the farmer. The win-win for the farmer continues – when the market price goes higher, they will get the better price always.

The Minimum Support Price (MSP) guaranteed by the government works as a fallback mechanism here. In case, the farmers fail to get a satisfactory price in the open market, they can always sell at MSP in the APMC mandis like earlier.

The ongoing farmer agitation demanding a repeal of the three new laws is clearly an attempt to undermine the deregulation process. The protesters are the traders, aggregators and moneylenders themselves who own huge farm lands and also control the market with a heavy fist. The fear of losing their lucrative prospects is fueling the protests that seem to be centered on invalid arguments without any technical validation.

Revoking these laws at this juncture will mean that no future government will have the nerve to bring such bold reforms ever again. The farmers will continue to be oppressed and the consumer will suffer like always....

Eliminating The Market Intermediaries

- Better Earnings To Farmers,
- Favorable Costs To Companies,
- Lower Prices To Consumers

Eliminating the exploitation of farmers by middlemen is the need of the hour!

The cartel of agricultural trade intermediaries drives up the prices manifold. Changing this traditional approach will empower the farmers by giving them better ownership of the fruits of their labour. Agribusinesses can avail better inputs at reasonable prices while consumers will benefit from lower food prices in the market. A win-win for all!

WHAT HAPPENS WHEN a farmer harvests his produce and brings it to the market for sale? The government does not even allow them to sell their produce on their terms to a buyer of choice. It is mandated that every farmer will sell in a specified APMC mandi where they will get fair, efficient and better remunerations. The prices are supposed to be decided by open auction among the licensed traders.

The assertion of bringing the traders under one roof to keep them from cheating the farmers seems like a fairy tale now. In reality, this licensing regime is sounding the death knell by controlling the number of buyers in the market – the farmer sellers cannot go out and retailers, restaurants or agribusinesses cannot get in.

The traders play the role of middlemen, many of the big farmers double up as agents and the coterie colludes together to control the prices. A market committee is in place, but this is also dominated by the trader lobbies that have a conflict of interest in keeping out the competition. Together, they smother the price paid to the small farmers while amplifying the prices charged to the buyers, and audaciously pocket the ample profits. These intermediaries easily earn at least 100% to 200% margins while the farmers get unfairly small returns on their produce.

The situation turns worse during times of damaged crops and poor harvests. An onion farmer can take heart in selling his onions for Rs.20 per kg, but the middleman will go on to sell the same for around Rs.100 a kg. The price charged to the end consumer will definitely go through the roof!

It is only these cartels that stand to profit as even a bumper crop turns a bane for the farmers - the excess supply further drives down the prices in the mandis to the extent that it is not even worthwhile for the farmers to hire transport for bringing their produce to the mandis.

Therefore, the intermediaries get richer while the poor farmers often do not even make enough money to cover their costs and service their debts, let alone meet their consumption needs.

The average monthly income per agricultural household during the agricultural year July 2012-June 2013 was estimated at just Rs.6,426, with the net receipts from farm business (cultivation and farming of animals) accounting for about 60% of the average monthly income. The average monthly consumption expenditure per agricultural household during the same period was Rs.6,223, leaving virtually no breathing space.

The harsh fact is that the farmers receive a very small fraction of the actual price paid by the final consumer while a major chunk of the profits is pocketed by the middlemen. A pan-India Reserve Bank of India study conducted in December, 2018 covering mandis in 16 states, 16 food crops and 9,400 farmers, traders and retailers reveals that the country's farmers are still receiving a low share of the consumer's rupee – the farmers' share stands at a paltry 28% for potato, 33% for onion and 49% for rice.

Therefore, the government support to protect the farmers is actually transforming into unreasonable restrictions that shackles the farmers. They have no say in the pricing of their produce and are completely at the mercy of the traders and other middlemen – compelled to sell to them on their terms. At least better storage facilities without the accompanying restrictions on such activities will empower the farmers to delay the sale for a few days or weeks in anticipation of increased demand and better prices.

Many states are relaxing the rules and allowing private sales outside the APMC market yards. However, these direct sales are also subject to the market fees, levies and other controls akin to the mandis.

Striking Down The Length of The Supply Chain

The small and large traders, commission agents, brokers, financiers, et al make up a huge segment of the supply chain between the farmer and the end consumer. Eliminating these intermediaries by putting the farmers in direct contact with the buyers or consumers will benefit everyone all around.

One of the three litigious farmer laws – the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 – proposes to remove the intermediaries and provide a direct linkage between the buyers and sellers. The farmers can directly sell their produce to the retailers, hotels, restaurants, caterers, shop owners, processors, agro-based industries, exporters or even the consumers, that too without any tax, cess or other charges. The sale can take place anywhere across the country - in the open market, on online platforms, in futures market or even at the farmgate. The farmers are still free to sell in the APMC mandi also, if they so wish.

Essentially, the farmers turn into traders of their own produce in this free and fair market. They are interacting directly and are in control of the process - sell to whomever you feel is offering the right price for your produce and labour. For instance, in 2019, farmers in Nashik adopted the 'Farm to Fork' plan and sold directly to the consumers. They enjoyed substantial profits on the sales as they did not have to pay any of the middlemen.

Indeed, being able to interact and trade directly in the market will serve the interests of the farmers in multiple ways.

As part of the law, 10,000 Farmer Producer Organizations (FPOs) will be formed across the country to bring the small farmers together and can work to enforce a more remunerative pricing mechanism. This is in the best interests of both the farmers and consumers as it will ensure better price to the farmers on the one hand and quality produce at lower price to the consumers on the other.

In fact, a pilot programme for promoting member-based FPOs was launched in 2011-12 in partnership with the state governments and was implemented through the Small Farmers` Agribusiness Consortium(SFAC). Thereafter, 6361 FPOs have been promoted across India by various agencies.

This new central scheme of 10,000 new FPOs has been launched with a budget outlay of Rs 6865 crore till 2027-28. Each FPO formed under the scheme will be provided handholding for 5 years.Direct financial support will be extended for 3 years totalling to Rs. 18.00 lakhs. There will also be a matching equity grant upto Rs. 15 lakhs per FPO with matching contribution upto Rs. 2,000 per farmer member. Additionally, collateral-free guarantee facility upto Rs. 2 crores per FPO is also included. The capacity building, training and skill development of the FPOs is proposed through BIRD, Lucknow and LINAC, Gurugram institutes.

The scheme will be implemented through Implementing Agencies(IAs) like SFAC, NCDC, NABARD and States' agencies. An additional 6 more IAs have been approved for formation and promotion of FPOs.Value chain industries can also promote FPOs under the scheme.

The government is interacting with the industry on the presentation and implementation of this major initiative. 101 FPOs have already been registered under the scheme so far.

The Other Side of the Coin

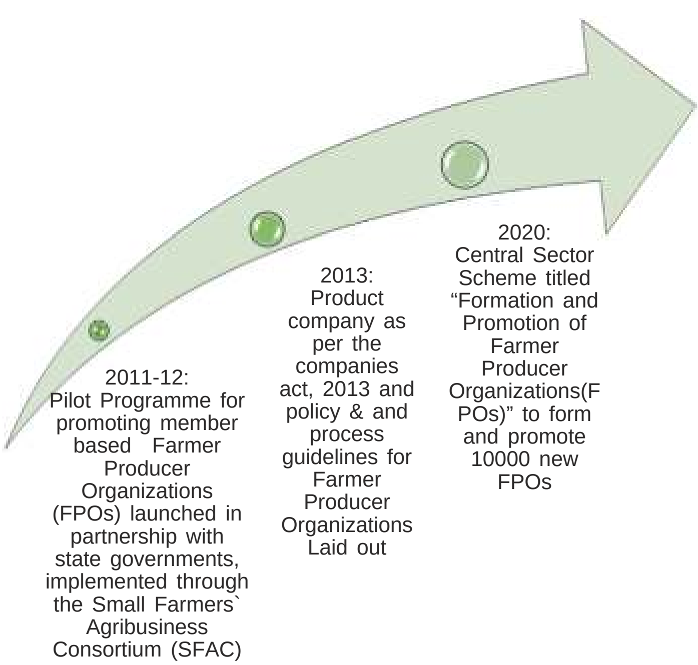
It is not just the farmers who suffer at the hands of the market intermediaries. Even the buyers, like food processing companies, have no choice but to rely on the traders to act as middlemen and accept their monopolistic terms.

The trader lobbies prevent any new or organised players from entering the market of food wholesale. A standing example is the 2008 revoking of wholesaler, Metro Cash & Carry's license by the agri-marketing board in West Bengal when the international chain was trying to make inroads into the wholesale food business.

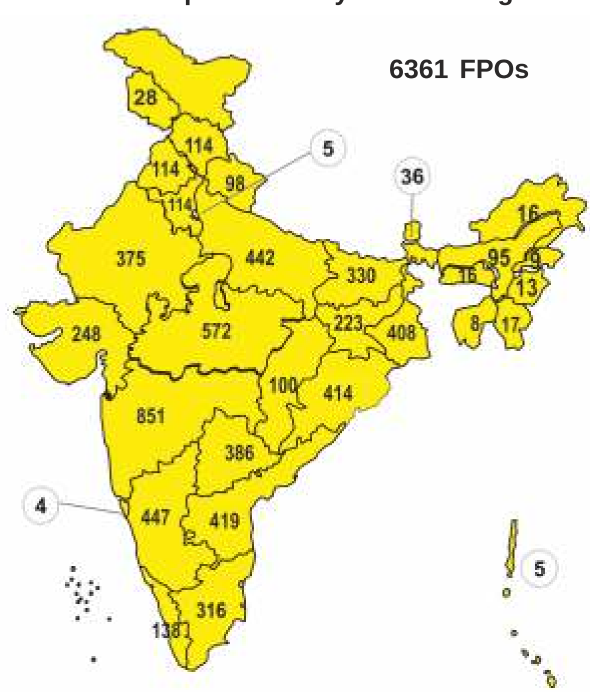
The intermediaries quote atrocious prices that drives up the cost of the transactions - the buyers are spending

Current Status of FPOs in India

Key Milestone in FPO Development in India



No. of FPOs promoted by different Agencies



Prices of food products in the grocery stores and supermarkets are excessively high for the consumers - but are the food processing companies really to blame?

huge amounts on acquiring the agricultural raw materials, but still not getting the quality they desire. Their input costs are high, but the products don't turn out to be up to the mark as there is no guarantee of quality in the APMC deals. In fact, a Standing Committee Report on Food, Consumer Affairs and Public Distribution (2020-21) states that around 30% of food in India does not conform to quality norms.

It follows that the price of a packet of chips will be excessively steep when the potatoes are already high-priced, there are fees and commissions and the produce is not even of good quality. Production, marketing and other costs add up to the burden and the consumers end up paying more for the air, with just a handful of chips in the packets!

The price of the end product is exorbitant, but the manufacturer is not making as much profits as we tend to believe. They are also constrained by the powerful trader cartels and want to deal directly with the farmers.

Still, the market is booming as agri-tech startups continue to proliferate in India. Estimates reveal that one in every nine of such startups worldwide is established in India, relying on venture capital to rapidly scale up their businesses and impact. These food-tech and organized retail companies are now demanding direct backward linkages with the producers. Even the traditional grocery stores are modernizing their backend. Agritech companies have already set up private market yards as collection centres in some areas and are procuring directly from the farmers at mutually beneficially terms. They are even entering into contracts directly with the farmers wherever possible. An efficient agriculture supply chain will enable seamless operations in the food processing industry.

The Legislations Perk Up The Picture

The good news is that the troika of farm deregulation laws is primed to lower the entry barriers for these new players and will open the doors to a sea of direct buyers. As the supply chain is shortened and it becomes easy to do business, the costs of the transactions will immediately decrease in the new trade areas. No wonder it is the traders and agents (who double up as farmers) that are protesting the most against the new laws as they will hit them where it hurts the most……

The laws unlock fantastic opportunities for the food manufacturers to not just scale up their businesses, but also invest in the farming sector. The environment will finally be conducive for the agribusinesses to emerge as the biggest driver for sustainable employment and income generation in the country. However, the corporates are on a wait and watch mode – they will come forward to set up new markets and invest in value chains only when the protests are resolved and the state governments become aligned to the reform agenda.

Conclusion

Direct procurement from farmers will increase their income in the form of better returns on their produce and strengthen the agricultural economy of the country. As the entire agriculture-to-food-processing-to-retailing value chain is shortened and the producers are as close to the consumers as possible, the common people will benefit from fair pricing on their grains, vegetables and other food stuffs.

In short, the consumers will pay less and the farmers will gain more!

Source: Secondary research & media reports

Are The APMCs The Be-All And End-All Of Agricultural Trade?

The FTPC Act is a game-changer as it opens up new opportunities and markets for the farmers. Why is this being interpreted as an oblique move to abolish the conventional APMC mandis? What role do these state mandis really play in the overall scheme of things?

Farm produce being weighed and sold in APMC mandis

INTRODUCED AS A momentous revolution in the history of Indian agriculture that will lead to Farm revolution 2.0, the three new farm legislations are in the eye of the storm today. The hotly-contested Acts have led to a standoff between the central government and the protesting farmers. While the government is attempting to deregulate and modernize the system, the farmers are fearing the worst.

Among the most contentious of the three laws is the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020. In simple terms, this finally allows the farmers the freedom to sell their agricultural produce outside their mandated APMC-regulated mandis. It also prohibits levying of market fees, cess or other levies outside the APMC area. Traders can operate without licenses; all they need is a PAN card as proof.

The preamble of the Act states that the Act focuses on “creating of an ecosystem where farmers and traders enjoy freedom of choice”, there are “competitive alternative trading channels” that “promote efficient, transparent and barrier-free inter-State and intra-State outside APMC” (Section II.4.1).

As the farmers are free to trade anywhere and with anybody, they benefit from an increased choice to get the best price for their produce by offering it at any place in the country rather than being confined to their district. The market forces will come into play and ensure a fair price for the produce.

The relaxation of barrier-free inter-state and intra-state trade outside the physical boundaries of these markets will also pave the way for a 'One Nation, One Market'. This will be further facilitated by the envisaged framework for electronic trading, thus reducing inefficiencies.

The government's virtual trading portal, e-NAM (electronic National Agricultural Market) was already launched in April 2016 to enable inter-state trade of agricultural goods and build an integrated national market by integrating the APMC markets at the backend. This is an online, transparent, competitive bidding system to facilitate farmers with remunerative prices.

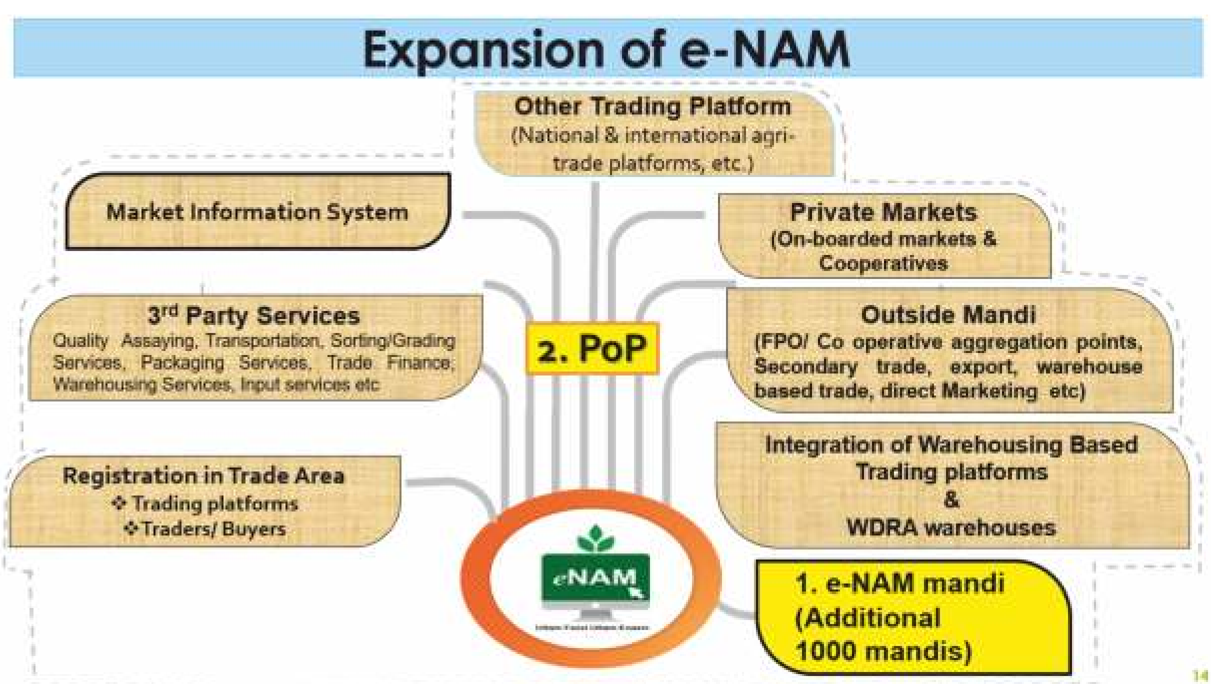
So far, 1000 mandis (from 18 states and 3 UTs) have been integrated to the e-NAM platform, of which 415 mandis have been integrated during 2020-21 itself. More than 1.7 crore farmers, 1818 FPCs and 1.63 lakh traders have been registered.

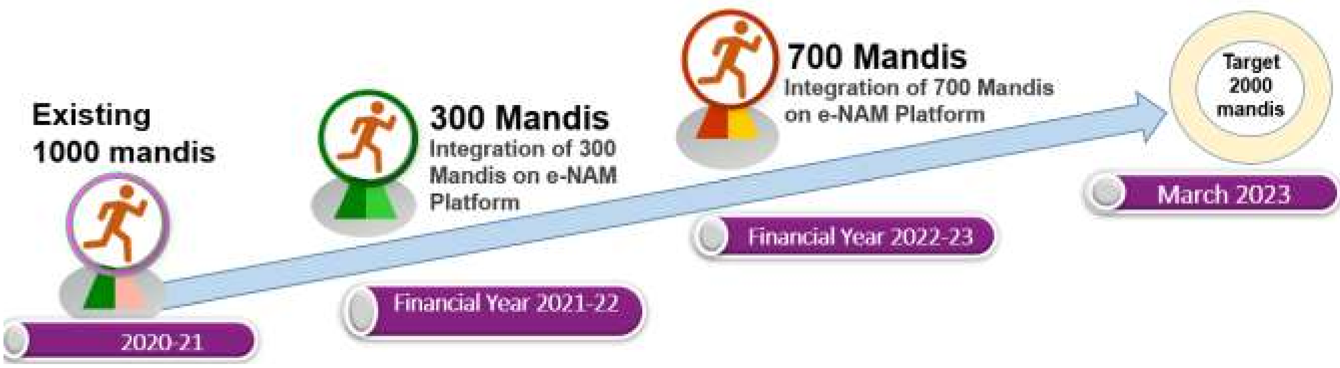
As on 31st March, 2021, a total trade volume of 4.31 crore MT of bulk commodities and 5.04 crore numbers of bamboo and coconut (worth Rs 1.30 lakh crore) had been recorded on the e-NAM platform. Initially started with 25 commodities, e-trade facilities are now extended to 175 commodities with tradable parameters on the e-NAM portal.

The Union Budget 2021-22 announced that 1000 more mandis will be integrated under e-NAM. Accordingly, the Expenditure Finance Committee (EFC) proposed that 300 mandis will be linked in 2021-22 and 700 more to be integrated by 2022-23. This will further facilitate direct and online buying and selling of farming produce.

APMCs – The Villains In The Narrative?

Agriculture being a state subject, almost all states have their own Agricultural Produce Marketing Committee (APMC) Acts to regulate agricultural trade within the state. They mandate the purchase of certain 'notified' agricultural commodities through the government-regulated markets (mandis) so as to eliminate the hardship of price misinformation and arbitrage in agricultural trade.





These APMC mandis are clearly organized spaces that bring buyers and sellers together to trade in one place. They geographically divide every state and the farmers have to sell their produce at the designated mandi only. It works as a regulatory framework with licenses issued to traders and other intermediaries along with commissions and marketing fees. These agents (arthiyas) played a mediating role, enabling farmers to sell their produce via auctions and closed tenders to the highest bidder.

This was constituted as a system of price discovery and fair transactions with prices prominently displayed in the market yard, accurate weighing practices, transparency in auctions and prompt payment to farmers.

But, over time, the mandi system has deteriorated into a veritable stranglehold for the very farmers it was supposed to protect. The states charge cess on the trade which has been steadily increasing over the years. In addition to this, the commission agents form cartels to exploit the farmers by suppressing the prices and keeping the competition out, thus leaving the poor farmers with zero bargaining power. Most of the times, the government agencies do not even enter the mandis.

The cultivators have no choice but to bow down to the illegal nexus and accept the low 'auction prices', the weight and price dictated by the agents, pay the arbitrary charges and foot the unfair deductions. They are forced to wait in the hot sun without any seating or even water facilities and do not even get their payments on time. There is no transparency over the price and other charges as the traders simply issue informal white slips with the amount hastily scribbled on it.

Indeed, the APMCs are characterized by excessive politicization, cartelization and price fixing. The problem in reforming the structure is that the APMC is both the operator and also the regulatory authority of the system. Further, the state governments are also reluctant to reform the APMC legislation as it generates huge revenues and fills their coffers.

Even attempts to perk up the anachronistic APMC Acts to keep pace with the rapidly evolving agricultural supply chains have met with stiff resistance and failed to materialize properly.

Why the Conflict?

Why are the farmers opposing the move to open up new value chains that allow them more choice to sell on their own terms to private players? Is it that the farmers are entrenched in the old practices and fear change in any form?

The farming community is apprehensive that the private players will create a parallel mandi system that will leave them vulnerable to manipulation by the private sector. This is underpinned by the anxiety of being left to the vagaries of market forces to sell their produce for the very first time. Then there is the specter of the corporates and agritech companies consolidating to form the new cartels that will dictate the terms of trade in the new markets.

As the private market will be unregulated, it will reduce the income security of the farmers in the form of the safety net of regular government procurement through the APMCs at the Minimum Support Prices (MSP). In fact, the laws are viewed as a veiled attempt to slowly dismantle the APMCs and finally abolish the MSP mechanism.

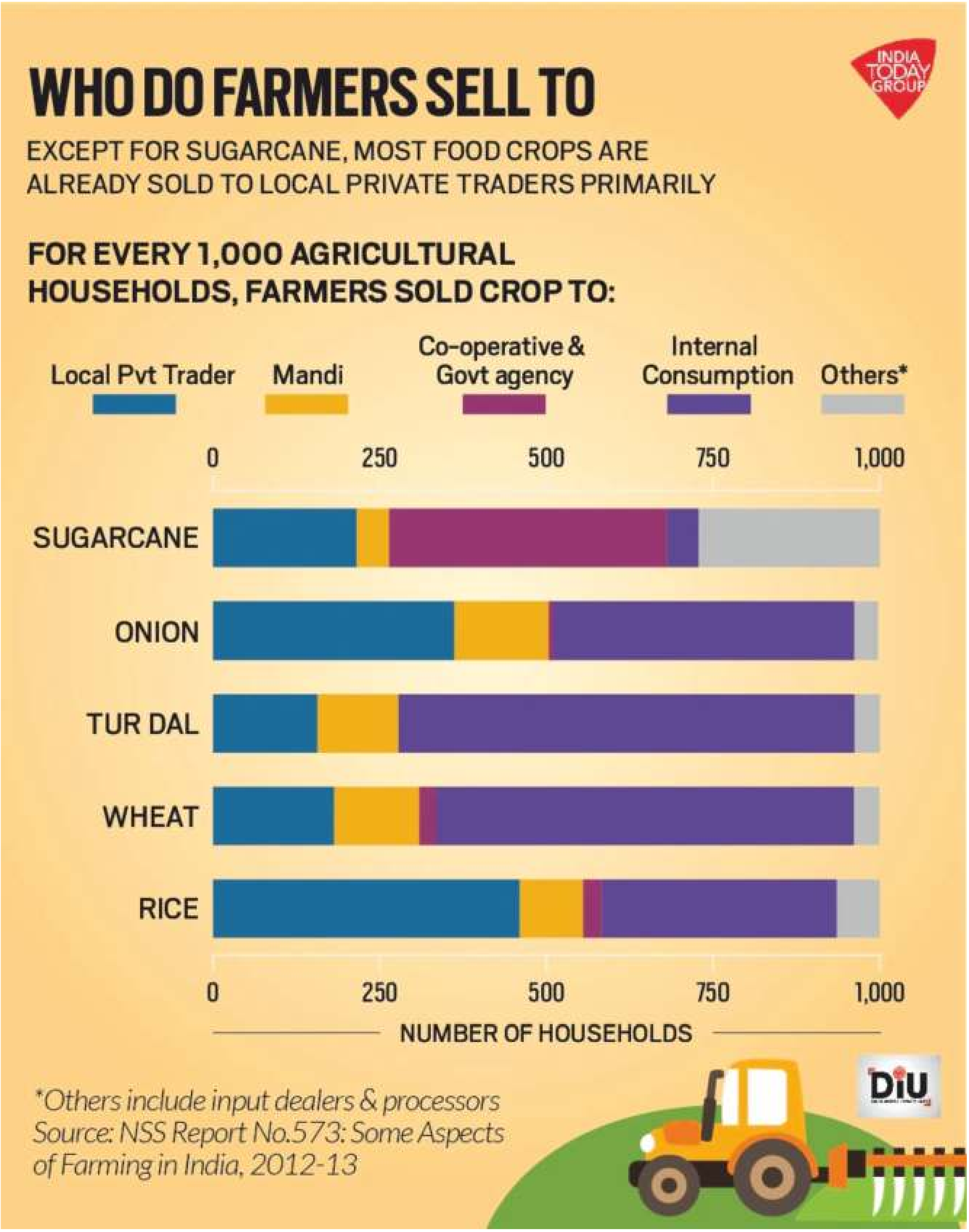
Furthermore, the states are in a jeopardy as they cannot levy any taxes on agricultural trade outside the state-run APMCs. For states like Punjab, Haryana, Chhattisgarh, Uttar Pradesh and Madhya Pradesh this endangers potential revenue to the tune of Rs 12,000 crores.

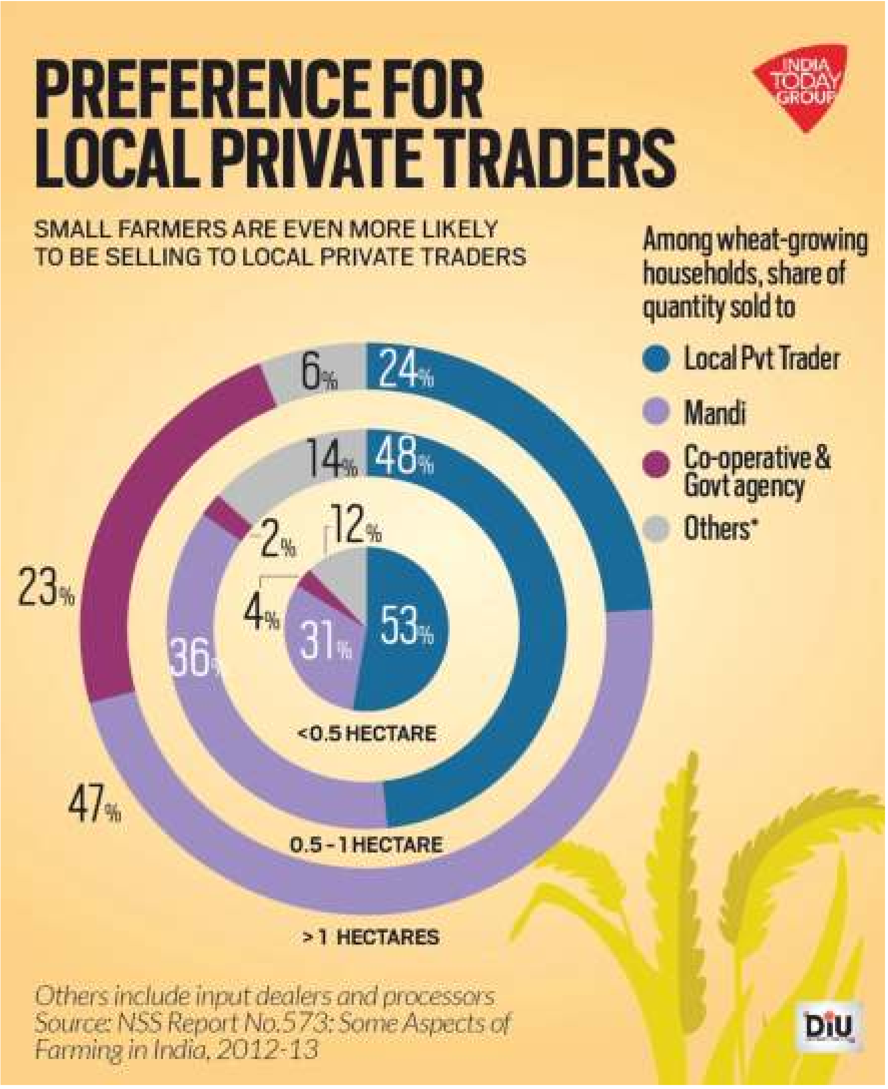
Are Mandis Really the Primary Marketing Channel?

There is much public outrage that removing the government interventions and deregulating agricultural trade to facilitate the entry of private players will be catastrophic for the farmers.

However, local private dealers are already present in most agricultural markets across the country. According to NSSO data (70th round), of all the paddy farmers who reported sale of paddy during July to December 2012, only 13.5% sold it to any procurement agency which fell to only 10% in January to June 2013. In the case of wheat, only 16.2% farmers sold their produce to any procurement agency during the period January to June, 2013.

In fact, majority of the farmers are already trading through private channels. Going by the same NSSO data, local private traders and input dealers comprised around 49% sale of paddy, 36% in the case of wheat, 58% for maize and 43% for potato.


WHO DO FARMERS SELL TO
EXCEPT FOR SUGARCANE, MOST FOOD CROPS ARE ALREADY SOLD TO LOCAL PRIVATE TRADERS PRIMARILY
FOR EVERY 1,000 AGRICULTURAL HOUSEHOLDS, FARMERS SOLD CROP TO:
Local Pvt Trader
Mandi
Co-operative & Govt agency
Internal Consumption
Others*
0
250
500
750
1,000
SUGARCANE
ONION
TUR DAL
WHEAT
RICE
NUMBER OF HOUSEHOLDS
*Others include input dealers & processors
Source: NSS Report No.573: Some Aspects of Farming in India, 2012-13



Going ahead, states like Kerala and Manipur never had an APMC at all. Bihar repealed the APMC Act in 2006 to invite private investment and created a new mandi infrastructure for better price discovery. Before 2005, Bihar's economy grew at a rate of 5.3% while the Indian economy was growing at 6.8%. After the reforms, Bihar's economy grew at 11.7% riding on a 4.7% agriculture boost, while India's economy grew at 8.3% with agricultural growth capped at 3.6%

Maharashtra, Karnataka and Tamil Nadu have permitted private entities to set up mandis. The governments of the agitating states of Punjab and Haryana have made similar provisions recently and Uttar Pradesh, Gujarat and Madhya Pradesh have followed suit too. As many as 21 states have already reformed their APMC Acts to allow private players like agritech businesses to set up private market yards or collection centres to purchase directly from the farmers. However, they still operate within the ambit of the same regulatory umbrella of the state-level APMCs.

The Unified Market Platform (UMP) in Karnataka increased the market prices by 38% which also means that the earlier prices were depressed by 38% due to lack of adequate competition.

This stream of private players is at the threshold of a major expansion once the new laws are allowed to come into force.

Setting the Market Right

The legislation opens the doors to increased bargaining power and income threshold for the otherwise suppressed and exploited farmers. They are finally going to get the freedom to sell their produce to anyone at the best price and will also benefit from the savings in mandi and other fees. However, they still need some safeguards to protect their interests. In fact, the farmers look to the APMC for a reference price when selling outside the mandis and are not in favor of abolishing the mandi system.

The APMCs should not be abolished, but modernized and re-oriented from political organisations to business service organisations. But this is possible only when it gets the backing of the state governments.

The central government on its part is giving repeated assurances that the mandi infrastructure will continue as it is and its agencies will carry on its procurement at MSP as usual. In fact, the opening of the market will also push the APMCs to offer more competitive prices. The Centre is also trying to appease the states with proposals to register the private mandis and allowing the states to levy tax on private trade as well.

The new law is a step to create a seamless national market that will bring in the much-needed transparency, accountability and affordability in foodstuffs. It's not just about creating new sale avenues and easing the entry barriers for new players, but eliminating the middlemen's charges and margins will also reduce the costs of transactions manifold. The consumers will benefit from lower prices for their food while being ensured that the farmer is getting a fair share of every rupee they spend on the food.

Conclusion

The Constitution of India bestows equal rights on all citizens to decide their own profession, trade and commerce. So, how can the farmers be singled out and restricted to operate only under the outdated and exploitative APMC mandis? Why can't they trade their products freely anywhere in the country at fair and remunerative prices when the constitution permits it for everyone?

Source: Secondary research & media reports

The Demand To Legalise MSP – Is It Justified?

The heart of the farmers' agitation seems to have moved away from the three new laws and is focused on legalizing the Minimum Support Price. Is this warranted or even possible?

PRICE CHART

Kharif MSP of major crops in 2019-20 (in ₹/quintal)

CROP	2018-19	2019-20	% Increase
Paddy (common)	1,750	1,815	3.71
Jowar (Hybrid)	2,430	2,550	4.90
Bajra	1,950	2,000	2.56
Maize	1,700	1,760	3.52
Arhar (Tur)	5,675	5,800	2.20
Moong	6,975	7,050	1.07
Groundnut	4,890	5,090	4.08
Soybean (yellow)	3,399	3,710	9.14
Cotton (medium staple)	5,150	5,255	2.03
Cotton (long staple)	5,450	5,550	1.83

Note: The kharif marketing season runs from July to June

Source: Government

THE MINIMUM SUPPORT Price (MSP) is a price for agricultural products set by the Government of India for purchasing different cereals, pulses, oilseeds and other crops from the farmers. It has its origins in the rationing system introduced by the British Raj during World War II.

Post-Independence, India was facing a severe shortage of food and we were actually importing food grains from USA and other countries. The Governments took various steps to shore up our food reserves – one of which was establishing the Agriculture Prices Commission (APC) in 1965 (later renamed as the Commission for Agricultural Costs & Prices) with a mandate to procure food grains from farmers at an appropriate price. This has been dubbed as the Minimum Support Price or MSP. Started in 1966-67 for wheat, it was expanded further to include other essential food crops.

Since then, the Central Government has been laying down MSPs for the bulk purchase of food grains that the Food Corporation of India (FCI) procures from the farmers at the numerous APMC mandis spread across the country. The food grains are then supplied to the marginalized population at heavily subsidized rates through the Public Distribution System (PDS). The excess commodities are stored in the warehouses of the FCI to meet any future contingency of food shortages and to ensure that the commonly consumed grains are easily available to the consumers.

Therefore, the MSP and PDS system work together to ensure food security to the needy population in the country while assuring guaranteed prices, market and income for the farmers. It also indirectly works to encourage the farmers to produce the key crops.

Decoding The Actual Working Of The Price Support

The MSP is a price floor that has become a defining feature of the Indian agricultural policy. The Centre started fixing the MSPs for 23 commodities — seven cereals, five pulses, seven oilseeds and four commercial crops. This is now changed to MSPs for 22 mandated agricultural crops and Fair and Remunerative Price (FRP) for sugarcane.

These are announced twice a year based on the recommendations of the Commission for Agricultural Costs and Prices (CACP). The average price is usually 1.5 times the cost of production, interest on working capital and imputed value of family labour.

This works like a safety net for the farmers in the form of a minimum price standard in case of volatile open markets. They consider it a cushion of sorts – a pan-

India primary survey of farmers, traders and retailers done by the Reserve Bank of India in December 2018 reveals that around 51% of the farmers consider MSP for crops to be the most beneficial of all policies, including de-notification of products from APMC.

The irony here is that though the government has been declaring the MSP for years, it does not find any mention in any law whatsoever. Therefore, while the government does follow the practice of procuring grains from the farmers at MSP, it is not obliged to do so as there is no law that makes MSP mandatory.

Another reality that does not become obvious at first glance is that the Government procurement on MSP is heavily concentrated on paddy and wheat, with only limited procurement of oilseeds, cotton and pulses. This, in turn, is driving the farmers to focus on wheat and rice. With the booming production in North India, the prices of these grains have actually slimmed down heavily in the open market. But the farmers continue to rely on the government's MSP which easily covers their costs of seeds, fertilizers, pesticides, farm implements, electricity, fuel, etc.

So much so that, India has turned the corner from a shortage economy to a surplus economy with the granaries overflowing with wheat and paddy. In 2019-20, India stocked 70 million tonnes of food grains, much more than the norms established for buffer stocks. We are in surplus for three years and the government is now facing a problem of storing the excess grains.

Another catch is that the primary MSP purchases of wheat and paddy by the FCI are centered in the states of Punjab and Haryana, with the procurement range around 75% to even 90%. This ensures cultivators in these states a comfortable return while those in rest of India find themselves in a disadvantaged position. For example, West Bengal produces the most rice, but only 10% to 13% of the produce is bought by the government at MSP. Uttar Pradesh happens to be the highest producer of wheat, but only 3% to 16% is procured at MSP.

It has also come to light that in the recent procurement season in Sep-Oct, 2020, farmers in Maharashtra and Madhya Pradesh had to sell their soybean crop to private traders at prices below MSP. While the MSP for soybean crop was Rs 3,880 per quintal, farmers managed to sell at Rs 3,200 to Rs 3,300 per quintal of produce. Green gram and maize in Telangana were also sold much below their MSPs.

Is MSP The Mainstay In The Country?

The National Sample Survey Office's (NSSO) data shows the percentage of sale at MSP to total sale was at 27% for paddy, 2% for bajra, 8% for maize, 32% for potato, 6% for soybean, 12% for cotton and 1% each for arhar, urad, and moong. The NSSO surveyed a national representative sample of nearly 35,000 agricultural households in 2013 to understand their landholdings, their income and expenditure on farming, their debt position and who they sold their crop to and for how much. The data was released in 2016.

The Narendra Modi government set up a committee to study the food procurement mechanism in 2014 under the chairmanship of veteran BJP leader and former Union minister, Shanta Kumar. The committee criticized the working of the MSP system as it benefits a bare 6% of the farmers at an all-India level.

MSP Under Fire From Different Quarters

The MSP system has emerged as one of the costliest government food procurement programmes in the world. The food subsidy bill of the country is going through the roof. The debt burden of the FCI has crossed Rs 3 lakh crore. This is placing a mounting pressure on the fiscal deficit in the annual budget.

The CACP Report for the 2020-21 marketing season has recommended that the government should restrain procurement and sale of buffer grain stocks in the open market. It has further asked the government to "restrict procurement from states like Punjab and Haryana where substantial groundwater depletion has occurred and other states that give bonus".

Another 2015 report on the role of the Food Corporation of India advocated a gradual transition to income support for farmers and direct cash transfers to the target beneficiaries, away from the current system of MSP and PDS. Other expert committees and economists are also constantly urging the government to transition away from support to farmers in the form of guaranteed output prices to reduce the fiscal burden on the economy.

Market price v MSP

The market price of paddy was largely below the Minimum Support Price (MSP) in major producing states from October 2019 to January 2020

	Number of days market prices reported	Number of days market prices were above MSP	Number of days market prices were below MSP				Average difference (%) between market price & MSP
			<5%	5-10%	10-15%	>15%	
Andhra Pradesh	121	68	50	0	1	2	2.4
Assam	42	0	1	5	8	28	-17.3
Chhattisgarh	122	0	36	20	40	26	-10.4
Tamil Nadu	119	3	46	37	26	7	-7.4
Telangana	123	31	48	29	14	1	-4.0
Punjab	64	64	0	0	0	0	1.3
Uttar Pradesh	123	3	45	49	23	3	-6.9
West Bengal	123	30	74	18	1	0	-2.3

Source: Commission for Agricultural Costs and Prices

Commission Agents demand will ruin Indian Farmers and Economy.

Indian MSP and International Average Prices of Agri-Commodities (in 2020)

Conversion 1 USD INR = 70.40
1 Euro INR = 84.23

Analysis by: Vijay Sardana

Commodity	Price per Ton	INR Rate	MSP (Rs./Ton)	Handling Cost in Punjab APMCs	Total Cost from Efficient APMCs like Punjab (in INR)	Difference in Price (INR/Ton)	It is cheaper to Import by
Soft wheat	200	14080.00	19750	2605.7	22,355.70	8,275.70	58.78%
Maize	148	10419.20	18500	2605.7	21,105.70	10,686.50	102.57%
Barley	175	12320.00	16000	2605.7	18,605.70	6,285.70	51.02%
Soybean	370	26048.00	38800	2605.7	41,405.70	15,357.70	58.96%
White Sugar	374	26329.60	34500	2605.7	37,105.70	10,776.10	40.93%
Rice	490	34496.00	18680	2605.7	30,408.14	-4,087.86	-11.85%
RM Seed	375	31586.25	46500	2605.7	49,105.70	17,519.45	55.47%

Data: EU Commodity Dashboard Analysis by: Vijay Sardana

Observation:

1. Transport Cost is almost same between North India and International ports to Indian port cities and coastal states.
2. The difference is customs duty should be to offset price difference.
3. Seasonal Variations in Prices may give some buffer to Indian farmers.

Implications:

1. Any increase in MSP will open flood gates for imports,
2. Indian farmers, Farmer associates, state governments must focus on productivity improvement for survival of farmers.
3. Every year Customs duty increase will create more problem for Indian economy.
4. Agriculture commodity exports from India will collapse in coming days with increase in MSP.
5. Swaminathan formula (C2+50%) of MSP will lead to disaster for Indian farmers, exports and economy.
6. **MSP formula life is expired, we need better option for income security of farmers.**
7. This is the reason why India had to withdraw from USD 22 trillion market opportunity under RCEP.

Way Forward:

1. Increase productivity as fast as possible by keeping MSP at the present level for survival of farmers.
2. Incentive should be Productivity and quality linked.
3. Incentive should be based on objective criteria not political consideration.
4. All policies must promote better land & natural resource utilization.

This is compounded by mounting global pressure from the World Trade Organisation (WTO) - led by the United States and other grain exporting countries - seeking to curtail or even to dismantle India's food procurement and subsidy programme. As a founder signatory to the WTO, India is obligated to abide by the treaty and promote free trade.

On the other hand, the Shetkari Sanghatana, a farmers' union in Maharashtra, claims that the MSP system has actually weakened the farmers, instead of empowering them.

Ruining the Export Potential

Another oft-ignored dimension to the MSP conundrum is that the governments have been successively increasing the support price every season while the PDS rates have remained largely the same. According to the RBI estimates, the MSP has been hiked by a massive 1500% to 4000% between 1989-90 and 2020-21.

This is to the extent that the MSP in India is higher than the world market – ranging from 10.9% to a whopping 119.3%. According to recent data published by Business Today for 2020-22, the MSP of rice is 10.9% higher, wheat is 17.4% higher, gram is 11.6% higher, maize is 48.1% higher, groundnut is 64.2% higher, barley is 105.5% higher and jowar is 119.3% higher than international prices. On the other hand, the domestic prices of most of these grains happen to be lower than the MSP fixed by the government.

Union Minister, Nitin Gadkari has lamented, "...the ground reality is that our MSP is higher than the market price and international price. So, this is now going to create a big economic crisis for the country."

It is cheaper for food processing businesses, retailers and even traders to import food grains than purchase from the farmers in the APMC mandis. And it goes without saying that when the farmers are handed such mouthwatering prices on a platter, the productivity and quality are bound to be poor.

So, which countries will be willing to import our surplus food grains in the face of both low quality and higher prices? As a result, we are flooded with imports while the exports are drying up. Does it make sense to be globally uncompetitive when we have surplus food grains on hand? And they cannot even be exported at a subsidy as this will invite WTO objections.

How the Farm Laws Enter the Picture

The ongoing farmer agitation against the new farm laws not only demands a repeal of the legislation, but is also focusing on legalizing the MSP system in both APMC and private markets. This sticking point emerges from the overruling anxiety that allowing trade of farm produce outside the APMC mandis will eventually lead to lesser buying by the government agencies in the mandis and the MSP system will slowly become inconsequential.

It should be noted here that the Farm Acts do not allude to the MSP at all. Still, the Central Government is also giving repeated assurances that it will continue to buy at MSP for all its food security programs. It even advanced the procurement date for paddy to September from the designated season in October of 2020.

However, it is not feasible or even sustainable to actually legalize the MSP and mandate that the entire agricultural produce will be purchased at the floor price. Leading economist, Vijay Sardana has estimated that India currently boasts of a bountiful harvest to the tune of 300 million tonnes. But the government requires only approximately 156 million tonnes for supplying to the poor via PDS. Around 30 to 35 million tonnes are scooped up by the private sector.

It is financially unviable for the government to absorb the remaining excess produce - Farmers demand will cost India more than Rs. 17 lakh crores to support all crops, livestock farmers and fisheries sector at mandatory MSP; but the total tax collection is just Rs. 16.5 lakh crores. There just aren't enough funds to buy everything the farmers produce...

It should be noted here that the Punjab Assembly has defiantly passed a legislation deeming MSP a legal right. The bill is awaiting assent from the President, which does not seem forthcoming at present.

And who is the loser?

It is the consumer who will get the short end of the stick once again. Even if the Government decides to legally notify the MSP, where will the money come from? There are only two recourses - either increase the selling price of the food grains or raise the tax rates in the country. And the burden will obviously weigh on the consumer's pocket in the end.

What's more, there will not be further investments in India on account of the high taxation and the economy will stand to lose eventually.

Conclusion

The MSP was created in a scarcity era and new tools are needed to handle the surplus economy of today. The game has to be changed to a demand-driven market as the cushion of assured prices is no longer necessary like earlier. It is actually proving to be costly and inefficient.

A majority of the farmers have not even benefitted from the MSP mechanism. Still, the government is upholding that it will not dismantle the MSP system and government procurement will continue to take place. But it can only remain as a benchmark for the market indices. Pushing for putting a legal face to the MSP is impracticable and will derail the economy.

The consumer is the one who stands to lose in the end. The choice is clear - Do we want sustainable growth or will we let ourselves sink into financial disaster? The farmers' leaders need to think logically and in economic terms rather than being swayed by emotions or politics.

Source: Secondary research & media reports

Adv. Srishty Jaura
Editor –
"SPEAK UP!"

Kerala's Model A Paradigm To Support Farmers

The concept of APMC mandis is irrelevant in Kerala; it operates on a strong grassroots-level procurement system instead. This opens up a workable solution for the demands of small and poor farmers.

FARMERS IN THE northern states are up in arms about the new farm laws that are opening the agricultural market to private players. The kneejerk reaction is that this is a veiled move by the government to withdraw from the APMC mandis altogether and leave the cultivators at the mercy of the private corporations.

In this context, it is noteworthy that Kerala does not have an APMC Act at all and has been functioning without the conventional mandi system right from the beginning. As it did not notify the Act, there are no statutory regulations or controls for the agricultural market.

In place of the APMC market yards, Kerala has six major wholesale markets which are already integrated with the recently-instituted e-market network. These well-established markets have been running as auction centres since the 1950s. There are no middlemen per se, only a strong network of cooperative institutions which work democratically and transparently across the state to ensure payment of MSPs in the markets.

The Kerala State Civil Supplies Corporation (SUPPLYCO) along with a decentralized chain of cooperative institutions and local self-government institutions procure rice, vegetables and fruits from the farmers in the markets.

It should be noted that paddy cultivation is limited in Kerala (11.86% among all food crops) as compared to other states. There is a predominance of spices such as black pepper, fruits like coconut and plantation crops like rubber. The state government's horticultural board not only procures but also assists in the export of these crops.

Yet, Kerala not only pays higher than the MSP for paddy to farmers, but the state government recently extended the base price - MSP - regime to 16 vegetables, fruits and tubers with direct procurement in the markets. The 16 varieties for which base prices (per kg) have been announced in the first phase are: tapioca (Rs 12), banana (Rs 30), Wayanadan banana (Rs 24), pineapple (Rs 15), ash gourd (Rs 9), cucumber (Rs 8), bitter gourd (Rs 30), snake gourd (Rs 16), tomato (Rs 8), beans nadan (vallipayar) (Rs 34), lady's finger (Rs 20), cabbage (Rs 11), carrot (Rs 21), potato (Rs 20), beans (Rs 28), beetroot (Rs 21) and garlic (Rs 139).

Designed to protect farmers from adverse price fluctuations, this has come into force from 1st November, 2020. This is a first-of-its-kind initiative where base prices have been fixed for vegetables and fruits in the country. Let us take a look at how it will protect small farmers in the markets:

- The base price will be calculated as the production cost plus 20% based on a study conducted by the State Agricultural Prices Board. There is also a provision to revise the base price on a regular basis.
- The quality of the product will be considered a criterion for grading and the base price fixed accordingly. Low quality produce will be rejected.
- The government has also fixed a ceiling of productivity per hectare for each of these items so as to curb potential malpractices. The productivity assigned for tapioca and carrot is 15 tonnes per hectare, for cabbage it is 20 tonnes and for pineapple it is 14 tonnes. The base price will be offered only to the quantity that squares with the assigned productivity value.
- In case the market prices of any of these items falls below the base price in a particular district, a district-level committee will declare the base price as having come into force in that district. The produce will be procured at the base price and the money transferred to the farmers' accounts.
- To become eligible, farmers have to upload details like the area of their farmland, data on sowing, expected harvest and harvest time before the season on the Agriculture Department's registration portal, www.aims.kerala.gov.in or the AIMS app.
- The farmers will be eligible for the base price for a maximum of 15 acres in a season. They also have to insure their crop to be able to avail the base price.
- The agriculture department has joined hands with the local self-government departments and cooperation department to introduce the pricing.

Though the registration has not been made mandatory as yet, the procurement will take place through local bodies and the Primary Agricultural Credit Cooperative Societies (PACS) and then be sold through the department's markets or the societies' marketing network.

Supply chain processes such as cold-storage facilities and refrigerated vehicles will be set up in the future. And any excess produce will be converted into value-added products.

This is a surprising move amid the fears that the new farm bills passed by the Centre will slowly wipe out the age-old MSP system. Other governments can also adopt the Kerala model to support the farmers where they are assured of a flat 20% margin on their produce. This will also encourage farmers to work their fields and increase production in the long run.

Always Supportive to the T

The Kerala government has always supported the farmers and rolled out several initiatives to develop agriculture. The policy interventions have struck the right chord as vegetable production in the state has more than doubled in the past four odd years while the area under paddy cultivation has also increased substantially.

It should be noted here that as per the Niti Aayog estimates for Kerala, while the GDP of agriculture (including livestock) had exhibited a poor performance in the entire decade of 2000s, the growth actually decelerated by -2.8% in 2013-14.

Therefore, Kerala's policy serves up an appropriate method of intervening in agricultural markets and opens up an alternative course for agricultural policies in India.

Source: Secondary research & media reports

Are we chasing a mirage?

Swaminathan MSP Formula

– Is It Disconnected From Market Signals?

The Swaminathan formula for fixing MSP at 1.5 times the cost of production wins on the popularity count. But how relevant is it today?

By

Mr. Vijay Sardana

Techno-Legal Expert and Advocate, Delhi High Court

THE NATIONAL COMMISSION on Farmers (NCF) — or the Swaminathan Committee as it is better known – 2006 Report recommended fixing the MSP at 'at least 50% more than the weighted average cost of production'. Headed by noted agricultural economist, M.S. Swaminathan, this widely disseminated recommendation is considered the holy grail of MSP. The 2018-19 Union Budget also fixed the MSP for crops at one and a half times the production cost with an aim to double farmer incomes by 2022.

With the ongoing farmer protests demanding the repeal of the three new agrarian laws and legalizing of the MSP system, this formula is in the limelight once again.

However, advocate, techno-legal and trade policy expert for agribusinesses, Mr. Vijay Sardana considers this outdated and is calling for a review of the MSP formula to save the farmers and the economy.

Following is an excerpt from what he has to say on this issue:

The Swaminathan formula for MSP is based on an Outdated Cost Plus approach for India and will damage farmers' interest more, will also hurt the economy and encourage unsustainable agriculture practices by supporting the inefficient and expensive agriculture production system and not including the vital factors of any economy like quality and productivity in MSP formula. Swaminathan Commission also did not mention how to generate resources to support these recommendations and who should foot the bill.

The Concern with Swaminathan MSP Formula:

The Volume-5th of Swaminathan Report in section 2.3.5.6, page 57 says "Expand the MSP system, based on the cost of production including a reasonable rate of return on investment and ensuring a prompt and open-ended purchase for all major crops".

Swaminathan commission failed to mention productivity criteria in the formula and also fails to mention the resources required to meet this recommendation and what will be the source of revenue to meet this obligation. Such recommendations will hurt farmers, natural resources and the economy of India. This is the reason that in the last 10 years productivity of paddy in Punjab has increased only by 2.7% whereas the MSP has gone up by 102%.

On one hand, MSP is going up because of poor productivity, but the commission of the commission agents is also going up because it is linked to MSP in percentage terms. This clearly shows that there is no incentive to improve productivity and no interest in conserving water resources.

Damage to Natural Resources:

According to Punjab State government data, with 82% of the state's land area witnessing a huge decline in underground water levels and 109 administrative blocks out of 138 placed in 'over-exploited' category, a severe water crisis looms in the 'grain bowl of India'. Experts from the Central Ground Water Board (CGWB) have pointed to the massive rate of fall in subsoil water by a whopping 51cm per year.

With successive Punjab governments liberally subsidizing power up to the present about Rs 45,000 per tube well from a power subsidy budget of Rs 12,000 crore, groundwater extraction has gone unabated.

There are over 12.51 lakh agriculture power consumers, there are over 2 lakhs enjoying up to two subsidised agriculture power connections and over 10,000 have four or more connections. This power is also misused for non-agriculture purposes, that is why the reforms in electricity supply are also opposed by farmer unions.

Data compiled by the CGWB between 2006 and 2017 point to groundwater decline up to two meters in 55% of wells, between two to four meters in 21% wells and above four meters in 7% wells in Amritsar, Tarn Taran, Kapurthala, Jalandhar, Ludhiana, Moga, Mansa, Sangrur, Barnala, Fatehgarh Sahib and Patiala districts……

MSP Never Creates Additional Demand But It Blocks The Productive National Capital

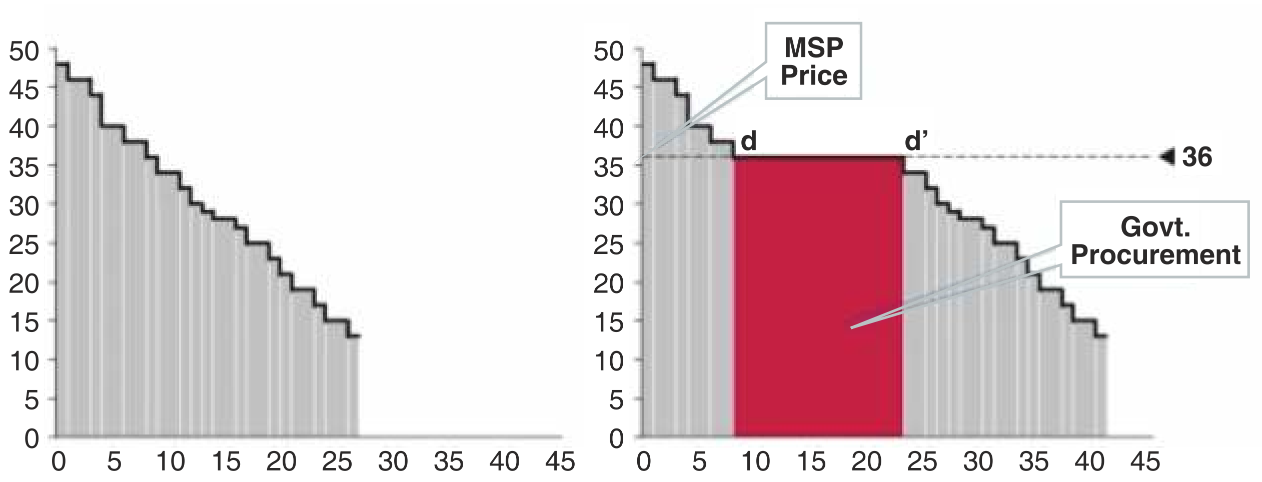
It is like flyover; it does not reduce traffic jams but it shifts the problem from one spot to another. The government procurement in the surplus economy does create initial extra demand but the total demand does not increase because after procurement the government sells the same thing in the same market via PDS.

The initial demand effect is neutralized. This the trader knows, that is why they do not rush to buy in mandis when the government is buying, they wait till the dust is settled and later they will ask their own agents and

Changes in Wheat & Rice Yield and MSP in Punjab

Year	Change in Wheat Yield (Kg/ha.)	Change in Wheat MSP (Rs. / Qtl)	Change in Rice Yield (Kg/ha.)	Change in Rice MSP (Rs. / Qtl)
2008-09	4462	1080	4022	900
2018-19	5183	1840	4132	1815
Change	**16.16%**	**70.37%**	**2.73%**	**101.67%**

Demand curve before and after MSP procurement



agencies to buy for them. When there is no rush by the traders to buy any commodity, this is a clear message that there is a surplus in the market and no one is keen to buy and stock it. This is also clearly visible because in the futures market there is no volatility on these crops. Farmers' organisations should be educated to read these signals. Cost Plus based MSP formula is, in fact, encouraging buyers to look for alternate suppliers well in advance and they plan this keeping in mind long-term horizon and they reduce investment in backend with farmers and supporting infrastructure.

My Recommendation to Government of India

Review outdated Swaminathan Formula and make it relevant to promote productivity, sustainability and quality in Indian agriculture system. Indian agriculture must move towards global competitiveness, first to prevent large scale imports and later focus should be on exports.

MSP is only useful in a shortage economy, not in a surplus economy. India needs a better and logical approach to help farmers in place of outdated current Swaminathan MSP formula. The latter is an illogical formula and will make Indian agriculture system's most resource inefficient and environmentally unsustainable. Organic farmers and zero budget farmers will get less MSP because their cost of production is less than farmers using expensive inputs and fuel. Is this logical?

This may be the reason why Prime Minister Dr Manmohan Singh never implemented the Swaminathan Formula for MSP.

Read this article in full here: https://lawnotesforstudents.blogspot.com/2021/01/review-outdated-swaminathan-cost-plus.html

It should be noted that the NCF had conducted a study on projection of cost of cultivation for 12 food grains for the crop season 2005-06 with the MSP prevailing in 2004-05. One of the main findings of the study was that C2 cost (Comprehensive cost including imputed costs of family labour, imputed rent of owned land and imputed interest on owned capital) is not covered by the MSP in most states for the 12 crops.

The Government claims that it has taken a number of initiatives to increase productivity, reduce input cost and improving post-harvest marketing. Moreover, to give effect to the NCF recommendation, the Union Budget 2018-19 announced the pre-determined principle to keep MSP at levels of one and half times of the cost of production. Accordingly, the government increased the MSPs for all mandated kharif, rabi and other commercial crops with a return of at least 50% over the all India weighted average cost of production from the agricultural year 2018-19onwards.

Present Status

The CACP considers the cost of production, overall demand-supply situations of various crops in domestic and world markets, domestic and international prices, inter-crop price parity, terms of trade between agriculture and non-agriculture sector, likely effect of price policy on rest of economy and a minimum of 50% as the margin over cost of production. Therefore, the price policy of fixing of MSP is not a cost-plus exercise though cost is one of the important determinants of MSP.

BREAKING OUT OF THE WHEAT-RICE DEPENDENCY

Farmers piling up excess food grains in the market that the government is forced to buy at MSP

While the agricultural community is pushing for a complete withdrawal of the new agrarian legislations, it is a fact that these laws are primarily designed for the benefit of the small and marginal farmers who are oppressed by the APMC-regulated and trader-exploited market regime. They never get a fair share of what the consumers spend on foodstuffs. For instance, once the farmers are freed from the constraints of the state-run system and open market comes into play, they will gain at least Rs. 4 or 5 more per kilo for their produce which will pave the way for a much better life.

Meanwhile, the agitating farmers at the capital's borders are also remonstrating for legalizing the MSP mechanism. Amid the cacophony of political voices, the elephant in the room is that mandating MSP alone will not ensure that the farmers can draw a greater share of the consumer's rupee, simply because the supply is way higher than the demand.

Therefore, rises in crop prices are not directly proportional to farmers' gains. The need of the hour is out-of-the-box thinking with more sustainable solutions that nobody seems to be talking about - like diversifying crops and augmenting productivity.

The government policy think tank, NITI Aayog is also suggesting boost in exports with focus on food processing and district-agro-climatic wise farming across the country. It is pushing for diversifying into nutri-cereals like jowar, millets and pulses. It has also advocated promotion of allied sectors of agriculture by shifting the excess farmers involved in agriculture to horticulture, fisheries and animal husbandry.

Moving Away From The Traditional Grain Production

India has a surplus of wheat, rice and sugar. We do not need any more of these agricultural commodities as most states are self-sufficient to meet their demand. The granaries are overflowing, the grains are rotting and yet, the taxpayers' money is used to buy what is not required to please some vested political interests. The rising public stockpiles will further put a downward pressure on the prices of these commodities. The protesting farmers are demanding legalizing this MSP across the board and increasing the prices of grains that we do not even require right now.

No wonder then that more and more farmers want to enjoy the safety cushion of MSP and shift to producing wheat and rice, replacing traditional crops like pulses, oilseeds and cotton. This crop imbalance manifests as grave environmental consequences like groundwater depletion, soil fertility loss, waterlogging and salinity which will soon impinge on the productive capacity too.

Another serious fallout is that we are becoming deficient in other crops that the country really needs. For instance, we have to resort to importing what is really required by the consumers - India is deficit in oilseeds, and edible oil worth Rs.90,000 crore (70%) is imported. If some of the paddy or wheat farmers shift to, say, soybean cultivation, the government and even the millers will scoop up the produce and the consumers will buy the soybean oil.

So, while the farmers are shielded from the volatile market prices under the umbrella of the MSP mechanism, it will surely destroy not only soybean farmers but also farmers of poultry, other oilseed farmers and other allied activities.

Especially in states like Punjab, Haryana and Uttar Pradesh, there is a need to change the crop pattern and reduce the acreage of wheat and rice. The state governments have to actively encourage the crop diversification and shift the focus to high value crops. For instance, Haryana offered a cash incentive of Rs 7,000 per acre to beat the financial overpower of the traditional crop over the new crop which encouraged farmers to diversify to crops other than paddy.

India is weighed down by a huge surplus of food grains like rice and wheat that are procured by the government at MSP. Other crops suffer and we even have to resort to import the deficient food items. The future lies in crop diversification. Why don't farmers shift to pulses, oil seeds, maize, citrus fruits, etc.?

However, this diversification cannot take place at random. It should be planned at a district-level with different diversification strategies for different districts to avoid another surplus situation and price crashes. The Indian Council of Agricultural Research has delineated the entire country into 128 agro ecological zones (AEZs), which are already in use for district-level contingency planning and have prepared crop plans for some districts that are best suited to the natural environment.

Moving Away from the Traditional Use of Grains

India has a surplus of rice and does not know what to do with it. It cannot even be sold in the international markets as the MSP is way higher than the global price and selling at subsidies will violate the global treaty rules.

A more feasible option is to convert the rice into ethanol or bio-ethanol. This will utilize the rice that is anyway going to rot soon even as it reduces our ethanol imports of Rs.6 to 7 crores.

India imports an estimated two million tons of pulses per year. Growing pulses will curb imports and make us self-sufficient.

Moving Towards Better Methods of Production

We have notoriously poor levels of productivity in various crops. The soybean production per acre in the US and Brazil is 30 quintals and 27 to 28 quintals respectively, but it hovers around just 4.5 quintal per acre in India. Research on quality methods of production is essential for improving the productivity.

With the ongoing shortage, poor quality and high prices, even other products like poultry, dairy, textile, sugar, rubber, spices, etc. will start being imported into India. The demand for local agriculture produce will reduce and suppress prices – the farmers will suffer, the agro-industries will suffer and the consumers will obviously suffer in the end.

There is a pressing need to incorporate latest technologies in agriculture and modernize the farms. Specific action plans are required to bridge the yield gaps. Innovation and integrating appropriate technology into farming practices will deliver a two-fold beneficial effect - reduce production costs and increase both yield and quality of the produce.

Prime Minister, Narendra Modi exhorted in his March's Mann ki Baat episode that modernization in agriculture is the need of the hour and farmers should adopt innovative farming alternatives to boost their income. He suggested bee farming which is on the rise in the country.

This will in turn raise the unit price of the produce in the market and render farming more remunerative. Only then can we actually achieve the objective of Doubling Farmers' Income (DFI) by 2022.

According to the reports published from Niti Aayog, doubling real income of farmers till 2022-23 over the base year of 2015-16 requires an annual growth of 10.41% in farmers' income. The government policy think tank's member, Ramesh Chand recently remarked that this target will not be fulfilled unless the three farm laws are implemented with immediate effect.

Only when agriculture starts becoming a viable commercial enterprise, more youth will be attracted to the farms once again and become the farmers of tomorrow!

Conclusion

Do we realize that the high MSPs of rice and wheat are actually harming our country? As the MSP is higher than the world market, productivity and quality are bound to be poor. According to the Standing Committee Report on Food and Consumer Affairs (2020-21), around 30% of food in India do not conform to quality norms and is not fit for human consumption.

It is cheaper to import than bear the cost of high MSPs coupled with commission, taxes, corruption and more, that too without any guarantee of quality. Every increase in MSP will flood better and cheaper imports into the Indian market.

On the other hand, crop diversification from the monoculture of staples will promote efficiency, sustainability and profitability, thus enhancing farmers' incomes. Matching supply with demand will reduce market prices and minimize fluctuations for the consumers even as it leads to better nutrition and health of the population. India will finally manage to become self-reliant in food production as well.

“Shifting cultivation from traditional food grain crops such as wheat and rice may not be an easy one, but will be beneficial to all farmers, environment and consumers,” Arabinda K. Padhee, country director of the International Crops Research Institute for the Semi-Arid Tropics (ICRISAT).

Source: Secondary research & media reports

Where can consumers have their say about policies and legislation, about their needs and requirements, about products and services, about genuine and fraud companies? We provide you the platform to share with our readers your experiences.
Write to us: bejonmisra@consumerconexion.org

What The Consumer Has To Say?

The central government and the protesting farmers are at a crossroads with the latter refusing to buckle down even in the face of talks and offers for compromise. The centre is also firm that it will not repeal the legislations. Do the laws make sense to the rest of the country? Whose side is the consumer on?

THE NEW FARM laws are being hailed as the 1991 moment for Indian agriculture with farmers finally getting freedom from the shackles of the license raj imposed by the APMC Act. On the other hand, the huge farming community is up in arms over the fear that the reforms will dilute the government's procurement regime of their produce at MSP and a potential takeover of the market by corporate bodies.

Let us take a look at what the consumers have to say about the protestors pushing back against this large-scale overhaul….

I have always wondered why the farmers remain poor when the rice, pulses and vegetables are so expensive in the market. Based on my supermarket bills, the farmers should be very rich indeed. The brouhaha around the new farm bills has helped me understand that certain crooked elements in the supply chain eat up all the profits while the poor farmer hardly makes any income for all his backbreaking hard work.

– Komal Kedia, Hyderabad

The farmers' apprehensions that the MSP system may crumble and get dismantled after the new farm laws are implemented are understandable. But why are they still refusing to back down when the Centre is willing to give a written assurance that it will not abolish the MSP system. Why don't the farmer union leaders understand that it is not viable for the government to make MSP into a law? Are there shady or fraudulent elements at play behind the façade of the farmers protesting at the borders of Delhi?

– Samar Mehra, Aizwal

The Three Farm Bills seek to:

- Break the monopoly of government-regulated mandis and allow farmers to sell directly to private buyers.
- Provide a legal framework for farmers to enter into written contracts with companies and produce for them.
- Allow agri-businesses to stock food articles and remove the government's ability to impose restrictions arbitrarily.

The new farm laws will increase the money in the hands of the farmers. They will also make it cheaper for me to buy food for my family. At least this is the broad idea behind the reforms. I hope the farmers back off from the protests and give the government a chance to fulfill its promises to the country. The government has also offered to put the laws on hold for 18 months. This is ample time to discuss the differences and come up with solutions in an amicable manner.

George Yakob, Coimbatore

The government is moving in the right direction with the farm reforms. But it will do better to get all the stakeholders on board if the laws are to become a reality. Sitting down and talking about how to plug the holes in the current system will convince the farmers that they will finally be truly liberated from the cartels and get the freedom to deal in a free market. Moreover, despite being visionary in intent, the laws come with their own share of lacunae and ambiguity. These need to be ironed out with more safeguards in tow.

– Aadil Khan, Suryapet

India needs continued reforms in the agricultural sector to enable the farmers to gain an adequate and sustainable livelihood. The farm laws may or may not be a step in the right direction. However, we are prone to doubt the intentions of the politicians and policymakers as usual. Therefore, the government needs to rise to the occasion and make concerted efforts to win the trust and confidence of both the farmers and the consumers. Else, the crisis may just get out of hand and the consumers may also be swayed by the 'plight' of the poor and innocent farmers and join the ranks of the protestors!

– Madhavan, Raichur

Why are the farmers from Punjab and Haryana most vocal in the protest against the farm laws when farming is done all across the country? Why are they not open to change like the rest of the country? Is there something fishy here? Have they been benefitting more under the current regime or are they innocent victims of mischievous propaganda? The violence amidst the protests like attacking policemen, beating up politicians and breaching the Red Fort is just not acceptable. What if the government also refuses to engage further?

– Surya Murthy, Madurai

The farmers are upset with the three farm bills because none of them mentions anything about MSP. Instead of getting agitated unnecessarily, they should understand the true facts. MSP never was and never can become a law. Your future is in your hands. Read the writing on the wall and accept the government's offer of a written assurance and give the laws a chance at least.

– Ujwal Deo, Thiruvantapuram

The world has changed but exploitation of farmers continues unabated in India. We are on the cusp of a major breakthrough in the economy; this will be a turning point for the entire country once the deadlock of the protests is resolved. Meanwhile, the country is literally being held to ransom by a couple of thousands of people fuelled by vested interests. We cannot remain mute spectators on the sidelines while the drama unfolds in and around the nation's capital. This is a democracy – as consumers we should also express our views and ensure that our voices are heard. Do not let them hijack the oasis of development that lies just beyond the curve.

– Taapsee Mohanty, Rohtak

Source: Secondary research & media reports

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Send your subscription to: The AWARE CONSUMER, F-9, 2nd Floor, Kailash Colony, New Delhi-110048
Contact: 9311044424 • E-mail: bejonmisra@theawareconsumer.in

Posted at Lodi Road HPO, New Delhi on 9-10th of every month
Published on 6th of every month

RNI No. DELENG/2015/67140
REG. NO. DL (S)–17/3523/2017-19