3 Agriculture Reform Ordinances – Whither Farmer?

Kirankumar Vissa

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Ordinance Titles tell their own story

(1) Farmers' Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020

(2) The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020

(3) Essential Commodities (Amendment) Ordinance 2020

Let's Call them by the Real Names

1) **APMC Bypass Ordinance**
2) **Contract Farming Ordinance**
3) **Agribusiness (Freedom to Stock Food) Ordinance**

- **Who do the Ordinances really benefit?**
- **Why did Govt bring Ordinances in a hurry?**
- **What is the larger picture of all 3 Ordinances seen together?**

Who Gains? Who Loses?

FARMERS **X** **AGRI-BUSINESS**

Agriculture Sector

CONSUMERS (incl industry)

Who Loses? Who Gains?

- Don't look only at *Farmer vis-à-vis Consumer* or *Agriculture sector vis-à-vis Other sectors*
- Big Imbalance between Farmer and Agri-Business
- What is pushed as helping Agriculture sector may boost Agri-Business at the expense of Farmers
- Not a new story *(See American agriculture!)*
- Note: Farmers & Consumers are both citizens. Agri Corporations are not.

Essential Commodities Act Amendment

- Under earlier Act, no restriction on Farmers or FPOs from stocking produce.
- It was Agri-business that had restrictions – so it is Agribusiness (Freedom to Stock Food) Ordinance
- Under earlier Act, government already exempted most food commodities from ECA requirements
- *"Removal of (Licensing requirements, Stock Limits and Movement Restrictions) on specified Foodstuffs Order, 2016"* exempted wheat, wheat products, paddy, rice, coarse grains, sugar, gur, edible oilseeds, edible oils, pulses, vanaspati, onions and potato.

What's in the ECA Amendment?

- Supply of foodstuffs may be regulated *only under extraordinary circumstances* – war, famine, grave natural calamity, extraordinary price rise
- Any order for regulating stock limit, only when there is 100% rise in retail price of horticultural produce or 50% rise in retail price of non-perishable foodstuffs over previous year's price or average of 5 years
- Even such order will not apply if stock limit doesn't exceed processing capacity or demand for export; *e.g.* Adani Co. would never have stock limit

Practically removes Govt power to regulate food stocks

Implications of ECA Amendment

For Big Agri-Business

- No stock limits, No Restrictions
- Bigger storage chains, more control on supply & market
- Bigger doors open for importers and companies leasing large land in Africa like Adani?

For Farmers

- No change in their holding capacity (storage & finance)
- Reduces bargaining capacity vs. Agribusiness
- **Market domination by Agribusiness may lower prices**
- **Govt gives up on improving farmers' holding capacity**

APMC Bypass Ordinance

- APMCs have their problems, but they provide space for collective bargaining on price and non-price factors. Oversight by local administration plays key role.
  E.g. Experiences on onion prices in Kurnool, moisture measurement in cotton in Adilabad, etc.
- "Un-regulatable" new regime a big problem. Experience of farmers in remote villages vs those close to APMC markets very different. Both price & non-price factors such as grading, weighing, moisture measurement, etc.
- Minimal regulation in new ordinance only on payment of price – but nothing on non-price factors.
- As selling becomes dispersed, local monopolies develop

APMC Bypass Ordinance (contd)

- Centre usurping the role of State govts unacceptable. Local regulation & oversight reqd. State govt more accessible and politically accountable to farmers. Earlier APMC model Acts were adopted by majority states.
- **Bihar Experience after removing APMC markets:** Did removal of regulation "unshackle" farmers and give them better price? In major crops like Paddy and Maize, Bihar farmers get 25% less price compared to other states
- Weakening organized APMC markets makes govt more ineffective in ensuring MSP to farmers through Market Intervention and other measures. Whither PM-AASHA?

Contract Farming Ordinance

- Experience of hybrid seed growers in Telangana and A.P. shows that contract farming as it exists now is completely unregistered and unregulated, with companies relying on intermediaries to avoid visibility and liability. Exploitation and lack of accountability in price, seed quality, etc.
- Huge asymmetry between small and marginal farmers on one side, and Pepsico or Nuziveedu Seeds on the other
- “Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance” has little to empower or protect farmers, or assure good price
- “Farm Service” contracts may become proxy for companies taking control of large extent of land for cultivation

Larger Picture of 3 Ordinances

- Government withdrawing from support & intervention that ensures better price & markets for farmers
- Increased investment from Big Agri-business seems to be the driving force – which will boost Agri sector
- Govt claims that all this will help farmers – but not clear whether it really believes it. The way the ordinances were pushed through during Lockdown indicates govt was afraid of backlash from farmers in normal times!

Policy Zig-Zag from BJP/NDA

- **March/May 2014:** Big election promise on raising MSP to C2+50% and ensuring every farmer gets MSP
- **June 2014-Dec 2017:** Very little raise in MSP. Preventing state govts from giving bonus price. Shantakumar Cmte report undermining FCI, MSP, Procurement. SC affidavit saying not possible to raise MSP. New promise of Doubling Farmers' Income with no mention of MSP.
- **Jan 2018 onwards:** MSP promise renewed (A2+FL +50%), MSP raise, Price Deficiency Payment scheme, PM-AASHA scheme, GRAM scheme to upgrade 22,000 rural haats…
- **June 2020 onwards:** 3 Agri Ordinances, Agri-business companies will ensure price to farmers!

What Farmers Require

- Government Support for Agriculture is a must. “Withdrawal of govt intervention to benefit farmers” is a mirage – it will only help consolidation by big Agri-business
- 3 Agri Ordinances are harmful to the interests of the farmers and should be withdrawn immediately!
- Strengthening capacity of Farmers and FPOs to deal with markets and gain a higher share of the value chain – particularly storage & processing capacity and financing
- Implement MSP for a wide range of crops: Karnataka experience with ragi & jowar, Odisha with millets, shows how govt intervention can drive crop diversity too.

What Farmers Require

- AIKSCC's *Farmers' Guaranteed Remunerative MSP Bill* compels the government to ensure that the farmers receive the announced MSPs, through variety of measures:
  - Effective Market Intervention when price is below MSP
  - Expanded procurement linked to diversified PDS & ICDS
  - Price compensation and incentivizing private traders
  - MSP as floor price for all auctions in markets
  - MSP as floor price for all contracts
- A basket of effective measures in addition to price & market support, particularly institutional credit, identification of real cultivators, disaster relief/insurance and income support.