The entangled economics and politics of India’s farm agitation

4 min read . Updated: 19 Mar 2021, 05:52 AM IST

Sudipto Mundle

- The government should reduce price distortions while farmers must organize themselves to gain collective bargaining power
- Our skewed policy of providing support prices chiefly for two crops has led to the oversupply of these, even as our subsidy-cum-procurement regime turned farmers dependent on it.

The roots of the continuing farmers’ agitation go back over 50 years to the origins of the Green Revolution. Following the disastrous droughts of 1965-66 and 1966-67, the government adopted a new policy for food grain production, distribution and pricing to achieve food self-sufficiency. Foodgrain farmers were provided high-yielding variety (HYV) seeds, and subsidized water, power and fertilizers, while assuring them of remunerative prices. This also entailed a hefty food subsidy, since the Minimum Support Price (MSP) at which Food Corporation of India (FCI) procures rice and wheat (plus cost of storage, etc.) is much higher than the price at which foodgrains are provided through the Public Distribution System (PDS).

This subsidy-driven policy regime has been dramatically successful in achieving food self-sufficiency. Foodgrain production has grown to over 300 million tonnes. FCI procurement has typically exceeded offtake from the PDS and foodstocks now exceed 90 million tonnes. However, this success has come at great cost. Financing the food, fertilizer and power subsidies have become a chronic fiscal challenge and the distorted price signals have been ecologically disastrous in the northern wheat belt, especially Punjab.

MSPs are announced for 23 major crops, but this means little, since the government only procures wheat and rice, and now also a small quantity of pulses. This heavily tilts relative prices in favour of wheat and rice, skewing cropping patterns in favour of these two crops, though production now far exceeds demand. In Punjab, in particular, which traditionally did not grow rice, a highly water-intensive crop, farmers have adopted a wheat-rice crop rotation and prospered under this MSPprotected regime. Meanwhile, water tables have plummeted, high doses of chemical fertilizers and toxic pesticides have degraded the soil, and the short gap in the rice-wheat rotation has led to the stubble burning problem every October-November.

But the worst consequence is that the farmers of Punjab, Haryana and western Uttar Pradesh have become dependent on this distorted, subsidy- driven policy regime since no government has reformed the system. So, after the Narendra Modi government decided to introduce big-bang reforms in agriculture, rail-roading three laws through Parliament without a vote division, which the opposition had demanded, these farmers grew agitated. Two of the three laws include clauses that preclude civil courts from having any jurisdiction over dispute resolution between farmers and contract-farming companies, or granting injunctions. So farmers have no legal recourse beyond the executive authorities that report to their political masters. How such dispute resolution will work if a small farmer faces a powerful corporation is not difficult to imagine, especially if that corporation is politically connected. Hence, a deep trust deficit has emerged between agitating farmers and the government, with the former demanding a legal foundation for MSPs. The agitation is mainly being pursued by farmers of Punjab, Haryana and western UP, with only token support from other farmers, because the former have been the main beneficiaries of the subsidy-driven policy regime. They would indeed find their livelihoods threatened if the regime were to be dismantled.The Supreme Court's stay on the implementation of the new farm laws and the Centre's decision to withhold the same for 18 months, which could be extended, provides some space to plan and initiate a way forward.

The government, on its part, can reduce price distortions through a gradual shift from the procurement of wheat and rice to that of other MSP crops, especially coarse grains, pulses, oilseeds, etc. Multiplying the number of Agricultural Produce Marketing Committee regulated markets would also effectively curtail the market power of politically-connected traders cartels. Helping farmer-producer organizations (FPOs) invest in cold storages and other infrastructure would enable diversification to other high-value crops. These steps, none requiring new laws, would go a long way in eliminating policy distortions.

The farmers, on their part, can also do much to build FPOs with countervailing power against the large contract-farming companies they fear. Agriculture is in deep crisis due to the predominance of tiny farms (see ‘Agrarian Crisis: the challenge of a small farmer economy’, Mint, 21 July 2017). About 83% of rural households are entirely landless or own less than 1 hectare of land. On their own, small farmers cannot earn a living income from their tiny plots or bear the multiple risks they face (weather, pests and diseases, price volatility, lack of credit), let alone bargain with large companies. Their only hope of survival is to build FPOs, through which they can collectively risk-proof themselves, secure bank credit, and develop their own marketing organizations to realize better prices.

The idea of FPOs is no pipe dream. The story of Amul, the Khera district milk producers cooperative, is well known. But there are also more recent success stories (see my Mint column cited above). The farmers’ leaders camping at the gates of Delhi could inspire their fellow farmers to organize themselves into FPOs, as Vallabhbhai Patel had inspired the milk producers of Khera district over 70 years ago.

Roopashi Khatri, Satadru Sikdar and Humanshu contributed to this column. The views expressed are personal.