

3 Agriculture Reform Ordinances – Whither Farmer?

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**Alliance for Sustainable and
Holistic Agriculture (ASHA)**

Questions for Us

- **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 Farmers 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 & Individual Consumers are both citizens. Agri Corporations are not.

Ordinance Titles tell their own story

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

“APMC Bypass Ordinance”

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

“Contract Farming Ordinance”

3) **Essential Commodities (Amendment) Ordinance 2020**

“Agribusiness (Freedom to Stock Food) Ordinance”

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 hit 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

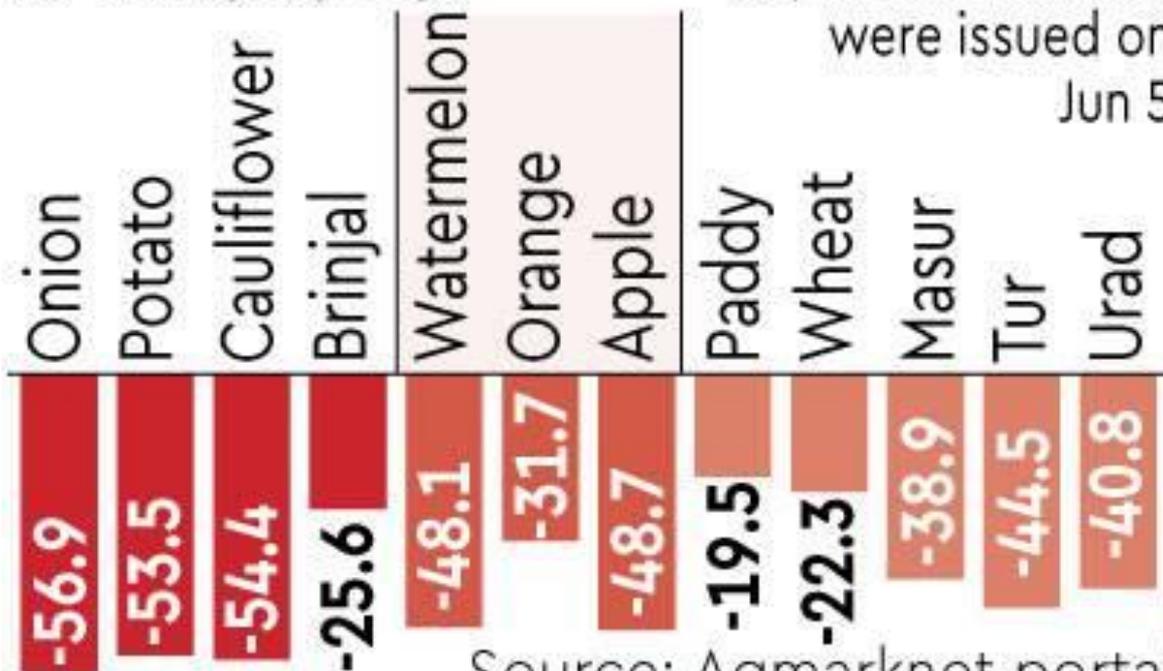
- No change in their holding capacity (storage & finance)
- Reduces bargaining capacity vs. Agribusiness
- **Market domination by Agribusiness may lower prices**
- **Govt gives up on improving farmers' holding capacity**

APMC: Post-Reform Snippets

Losing grip

APMC Mandi arrivals,
(% change, y-o-y)

*During Jun 6-Aug
31; all 3 ordinances
were issued on
Jun 5



Source: Agmarknet portal

Big Year-on-Year Drop in APMC Mandi arrivals in Jun-Aug

APMC: Post-reform Snippets

- **Bharat Bhushan, Lucknow Dal and Rice Millers Assoc:**
“Traders have only 0.5-1% margin. The traders purchasing from mandis cannot compete with those purchasing outside who don’t pay mandi tax.”
- **Atul Agarwal, MD Saket Foods:**
“We closed our outlets inside mandi and now source 100% directly from farmers. We are setting up 3 new processing units for oil and rice.”

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)

Bihar Experience after removing APMC markets

Did removal of regulation give farmers “freedom to sell anywhere” and give them better price?

Year	Paddy MSP	Market Price	Deficit (%)
Kharif 2019	1815	1350	- 25%
Kharif 2018	1750	1300	- 24%
Kharif 2017	1550	1191	- 27%

- **Maize (Rabi 2018):** MSP: 1700, Market price: 800 – 1050!
Farmers sold 40% - 50% below MSP

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.
- 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

Policy Zig-Zag from BJP/NDA

Mar-May 2014: Election promise: MSP at Cost+50%; Ensuring every farmer gets MSP

Jun 2014-Nov 2017: Didn't raise MSP. State govts can't give 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

Nov 2017 onwards: MSP raise, MSP promise (A2+FL +50%), Price Deficiency Payments, 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!

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!

What Farmers Require

- Government Support & Intervention on the farmers' side. “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
- Address structural issues besides price & market support: Credit-Input-Output-Dealer Nexus, Identification of real cultivators, Disaster relief/insurance and Income support.