

India's Farm Laws: Repealed but Not Discarded

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Summary

India will be repealing its controversial farm laws that had led to a year-long farmers' protests in some parts of the country. The decision reflects the power of organised interest groups to block reforms. The onus of reforming agriculture may now shift to the states.

In his address to the nation on 19 November 2021, Indian Prime Minister Narendra Modi announced his government's decision to repeal [the three controversial farm laws](#). These laws – the Farmer's Produce Trade and Commerce (Promotion and Facilitation) Act 2020; the Farmer's (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act 2020 and the Essential Commodities (Amendment) Act 2020 – were legislated by the Indian parliament last year.

Since their introduction, the laws had generated controversy and led to massive protests by farmers. For several months, the borders of Delhi witnessed a huge gathering of farmers, mostly from Punjab, demanding the repeal of these laws. The protests continued despite several rounds of discussions between the government and the farmers' representatives. The decision to repeal the laws should finally see the cessation of the protests.

The three laws also received the support of economists, as these were policies that would comprehensively reform Indian agriculture. They were to give farmers more options to sell their produce, in addition to the agricultural markets owned and run by state governments. These markets require them to sell crops to government-appointed commission agents at pre-determined prices. The laws also empowered farmers to enter into contract farming agreements with private buyers of agricultural produce outside the government procurement system. Finally, they also removed the physical ceilings on stocking food grains enabling farmers to store substantial produce for supplying to exporters and other larger buyers.

Why were a section of the farmers opposing the laws? They felt the laws would mark the beginning of the end of the system of minimum support prices (MSPs) that has prevailed for decades. The MSPs are prices at which the central government buys food grains and other crops from farmers. With the new laws encouraging farmers to sell to corporate buyers, there was a worry that over time, the MSPs would reduce and eventually be discontinued. This would have meant private business interests would control the agricultural markets in India. Protesting farmer groups felt the corporatisation of Indian agriculture would be against their interests as they would not have the capacity of negotiating fair price and supply terms with large business houses.

There were other reasons behind the farmers' protests. The laws could have undone the deeply entrenched patronage culture around agricultural marketing in various states that government procurement had created. Punjab is a typical example. The Agriculture Produce and Marketing Committee (APMC) Acts of Indian states that require farmers to sell to only state-appointed agents have generated a self-reinforcing patronage culture among farmers, commission agents and politicians. Formal intermediaries between state governments and farmers also act as agents for interface between political parties and farmers. Expanding choices for farmers by stepping outside the APMC markets would mean dismantling the patronage culture. The losses would have been severe for large farmers in India's 'granary belt' comprising Punjab, Haryana and western Uttar Pradesh. These farmers have been beneficiaries of the entrenched patronage culture as they have historically profited the most from the MSPs at which they sell their produce through their deep networks.

What ultimately forced the vocal minority of agitating farmers to galvanise themselves into protests that are among the most significant that India's economic reforms have witnessed, was the anxiety over government price guarantees and its associated network culture being taken over by corporate actors. The current system offers agitating farmers and their lobbies great economic and existential assurance. The former prefers state management and monopoly of agricultural marketing. The government has not been able to convince the protesting farmers that greater presence of the private sector in agricultural marketing would not be inimical to their long-term interests.

Does the repeal of the laws reflect adversely on the government's ability to implement substantive economic reforms? The protests make it clear that organised interest groups, even if not representing the entire community in question, such as farmers in this instance, can block reforms. This fundamental obstacle to reforms in India continues.

What could be the way forward? The central government may decide to pass the initiative to reform Indian agriculture to state governments. This would be similar to the way reforms have been encouraged in the controversial space of land acquisition for industrial purposes. It would be useful to recall the support received by the laws to be repealed among economists, policymakers, industry and even several farmer groups. Such support implies the importance of staying engaged with their spirit and intent. Instead of a pan-Indian sweep, a state-specific approach might be more rational for implementing them.

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