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WHY FARM REFORMS ARE NECESSARY FOR INDIA

**THE 25 KEY POINTS IN SUPPORT
OF AGRICULTURE REFORMS**

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Foreword

This booklet is an attempt to enlighten people on the perpetual crises that plague Indian agriculture, which for decades have been run in a feudalistic manner devoid of competition, choice, and bargaining power in the hands of farmers. In most cases farmers have been at the mercy of commission agents and middlemen who minted money at the expense of the hapless small and medium farmers who remained impoverished.

In the recent past, Government of India passed three laws to allow greater private sector participation in the agriculture sector and also greater market access to the Indian farmer that has the potential to revolutionise Indian agriculture and make it a major contributor to India GDP.

There has been a series of disinformation campaigns against the present bills just like there was resistance to liberalisation of Indian economy decades back.

This booklet is a humble attempt to counter the disinformation campaign and explain how Indian agriculture is set to benefit more by creating greater market access for Indian farmer by empowering him with more bargaining power and choice to sell to whoever he wants to sell his produce to, instead of remaining constrained within his own district and the local Mandi.

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1. For Seventy Years since independence, anyone in the Manufacturing or Service Sector in India could sell their product or service to anyone in the country. However, under the APMC Act and before new laws were enacted, farmers were not allowed to sell their produce to anyone of their liking. They had to sell their produce in APMC markets controlled by Commission Agents who have exploited them for decades. Is this justified?
2. Can you even imagine what would have happened if such restrictions were imposed on manufacturing and services sector? Can you imagine what would have happened if Manufacturers in FMCG, Consumer Durables or Services sector were not allowed to sell their produce beyond their district and were allowed to sell only through Markets controlled by powerful Middlemen? Yet this is exactly what has happened with Agriculture for decades.
3. If the APMC or Mandi System alone was best for the Farmers, why for the last so many decades Farmers have been committing suicide in thousands every year in India?
4. If APMC or Mandi System alone has been best for Farmers, why have Indian Farmers been so much in Debt Trap? Why could they, in most cases, not even been able to recover their cost of production? Who puts him in Debt

Trap? Is it not the Commission Agents and Middlemen in APMCs?

5. If APMC or Mandi System alone was best for the Farmers, why were farmers for decades getting the pittance of Rs 2/Kg or Rs3/ Kg for their produce even when the produce was being sold in the market for Rs 50-70/kg?
6. Who was eating away all the profit in between? Is it not the Middlemen and Commission Agents?
7. Is it also not true that the Commission Agents and Middlemen are also the biggest money lenders to the farmers who compel farmers to borrow money from them at exorbitant interest rates?
8. If APMC and Essential Commodities Act were so good for Farmers, then why the farmers of India always have tears in eyes even when they have bumper crops?
9. Is it not true that since farmers are not allowed to sell their produce beyond their own district, prices crash drastically during bumper crops, and even when demand is high elsewhere in country, the farmer is not allowed to sell his produce directly to other states? In such scenario, prices of perishable commodities like drop to even levels of 50 paisa/kg. The farmer suffers badly then and falls in debt trap.

10. Is it not true that due to Essential Commodities Act there are severe restrictions on even the storage of farm produce in cold storage facilities?
11. Due to such severe restrictions on storage, when new harvest comes in, -previous produce stored in storage facilities have to be necessarily dumped. On occasions, due to lack of storage facilities and price crash due to surplus produce, farm produce gets dumped on roads. This is because of severe restrictions on inter-state and intra-state sale of farm produce.
12. In spite of being one of the largest producers of different kinds of fruits and vegetables, why has India not become a major global player in food processing? Is Essential Commodities Act the villain?
13. Is it not true that less than 5% of India's fruits and vegetables get processed by food processing Industry primarily because of the severe restrictions imposed on food processing industry's ability to store farm produce as raw materials, due to Essential Commodities Act?
14. If APMC Act and Mandi System were so good for farmers, then why does the Indian farmer need to supplement his annual income with either 100 days of work under MNREGA or part time work of labourer in cities? This is because Commission Agents under APMC have severely

restricted farmers' income by not giving them real price of their produce and farmers not being allowed to sell their produce at higher price to anyone of their choice.

15. Due to APMC and Essential Commodities Act, and zero value addition by middlemen, more than 40% of India's fruits and vegetables get wasted even before they reach market.
16. Contrast this with sectors like fisheries, dairy farming and poultry farming which do not fall in the category of APMC mandated items. These sectors have flourished and have created productive employment for hundreds of millions. They flourish because these sectors are not controlled by commission agents and in these sectors, products can be sold anywhere in the country.
17. The new Farm Laws are merely increasing the bargaining power of farmers, allowing them greater access to nationwide market, and allowing them to align with other farmers to form Farm Producers Organisation, Self-Help Groups and Cooperative Organisations, to bypass middlemen and directly deal with Exporters, Retailers and Food Processing Companies. This would immensely benefit the Farmers.
18. Government of India has plans to create 10,000 Farm Producers Organisations where small and Medium

farmers of India would be Shareholders and would directly sell their produce and negotiate price with exporters, food processing units and retail chains. This would free the farmers from clutches of middlemen.

19. The Middlemen who have minted money for decades, at the expense of farmers, do not want reforms to happen.
20. The Farmer deserves to get direct benefit transfer for the produce that he sells to FCI as part of food grain procurement by Central Government. Do the Commission Agents want that to happen?
21. If India is 'One Nation-One Market', for Services and Manufacturing Industry, why not provide the same benefit to the Agriculture Sector?
22. If the APMC and Mandi System were so great for Agriculture, then why is Capital Formation been so dismal in Agriculture? Why has Agriculture failed to become a viable industry? Why does Agriculture not create productive jobs like Services and Manufacturing Sector? Why Does the Farmer not want his next generation to remain in farming?
23. However, the APMC system still would remain in place. Farmers would continue to have the option of either selling to private players directly or opt for the APMC

Mandis just as a customer we have the option to choose from BSNL, JIO, Vodafone or Airtel or have the option to choose between Air India, Indigo, Spicejet and GoAir

24. The new laws have made it very clear that under no circumstances the land of the farmers can be mortgaged. Also, payments to farmers under contract farming are to be made by private buyers within a specified timeframe of 3 days for every purchase that is made from Farmers. Therefore, interests of farmers have been adequately protected.
25. Agriculture market reforms and doing away with restrictive measures, not only has the potential to improve income of farmers but also can create a new generation of agro-entrepreneurs, start-ups and millions of productive jobs in agriculture and allied sectors including food processing and in agriculture produce supply chain logistics management.



Image Credit: India Today



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