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Understanding Farmer Protests in India

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Abstract:

No national occupational group in the world contains more people, or more poor people, than India's agricultural sector, which is now being shaken by massive farmers' protests against three pieces of legislation recently passed by the Indian government. In this invited opinion piece, I examine the grounds of the farmers' fears and show the way toward a more democratic path of reform that would be sensitive to the concerns, needs and vulnerabilities of India's smallholders and landless agricultural workers.

Keywords: Agribusiness, Agricultural Produce Marketing Committees, Contract Farming, Farmer Protests, Indian Farm Acts, Land Reform, Smallholders.

This is the Indian farmer's "Winter of Discontent." At the time of writing, an estimated 200,000–300,000 farmers from some 30 farmer organizations have camped out in the biting cold, along highways that lead to the Indian capital Delhi, moving in from the neighboring States of Punjab, Haryana and Uttar Pradesh. Farmers from several other States, in smaller numbers, have joined them in solidarity. Barriers prevent them from entering the capital city. But this has not deterred them from their resolute call to repeal three pieces of legislation that farmers call the Black Laws, which allow unprecedented freedom to private players to buy, stock and contract for produce. First introduced on 5 June 2020 by India's Government as ordinances, these Farm Acts were hastily passed by the two Houses of Parliament on 17 and 20 September, via voice vote with little discussion, and they obtained presidential assent on 24 September 2020.

Several protests have since been held, but the present one, timed by the farmers to commence on 26 November, after their winter farm operations ceased, represents the strongest sustained pushback yet, on a scale that has taken India by surprise and inspired much awe and admiration. Within a month, this protest has acquired larger significance, well beyond the limited goal of protesting the contents of the three Acts. The protesting farmers appear to have a far more incisive understanding of the implications of the Acts than most commentators thus far. This present opinion piece focuses on some of the larger concerns around these Acts and their implications for India as a whole.[2]

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[2] For a detailed assessment of the Acts themselves, see Narayanan (2020).

The predicament of the Indian farmer

To appreciate the significance of these protests and of the Acts themselves, it is important to note that, although agriculture contributes only around 15% of India's Gross Domestic Product, approximately half of its population relies on agriculture as a source of livelihood. As of 2015–16, India has an estimated 146.5 million farms. Yet an overwhelming 86% of farms were less than one hectare in size, not much larger than a soccer field. Over time, incomes from farming have not kept pace with incomes in other, especially salaried, occupations. In 2012–13, households operating and managing farms of under one hectare reported earning less than their monthly household expenditure, and 52% of all farm households had substantial debt – even though farm households do not sustain themselves by agriculture alone but receive about 32% of their income from working on others' farms or in non-farm occupations (National Sample Survey Office, 2014, p. 13).

Although Punjab, the State with the largest farmer protests, has historically derived much of its prosperity from agriculture, its smallholders are not very different from their counterparts elsewhere, with many farms getting smaller without a commensurate increase in productivity or prices. The shrinking size of Indian farms results from subdivision across generations, but India's policies of imposing ceilings on land ownership and restrictions on ownership transfers to non-farmers and on corporate land ownership have also fostered the trend by enabling smallholders to survive, even though many have joined the ranks of the functionally landless over the past decades. Although limited to specific States (notably Jammu & Kashmir, Kerala and West Bengal), land reforms aiming to transfer land to the tillers have also favored smallholdings over consolidation. Another factor is that India's economic growth has not generated decent work for all, prompting smallholders to retain farmland as a fallback option in a precarious economy. Thus far, India's agrifood chain, too, has been dominated by small players, despite growing consolidation in processing and retail. It is against this background that the Farm Acts and the farmers' response to them must be understood.

The Three Farm Acts

India's Constitution assigns responsibilities to different levels of government. "Agriculture," "markets and fairs" and "trade and commerce within a State" are responsibilities assigned to State governments, while the federal or central Government (the Centre) is responsible for ensuring "freedom of trade, commerce and intercourse" by governing inter-State and international trade. Heretofore, laws pertaining to agricultural marketing have thus been the domain of the States. Almost all States provided a regulatory framework via a State-level Agricultural Produce Marketing Committee (APMC) which issued licences to traders and intermediaries (commission agents) whose mediating role enabled farmers to sell to buyers via auctions and closed tenders.

The first of the three Acts, ***the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020***,[3] wrests control away from States by limiting APMC oversight and jurisdiction to the APMC "market yard," while also, under federal control, allowing agricultural produce transactions to take place in a "trade area" and providing a "facilitative framework for electronic trading."

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[3] http://egazette.nic.in/WriteReadData/2020/222039.pdf

The second Act, ***the Essential Commodities (Amendment) Act, 2020)***[4] amends a preexisting Act that allowed the Centre and the States to impose stocking limits on private traders to prevent hoarding and market manipulation. The new amendment removes some of these restrictions, which can now be deployed only in "exceptional circumstances." This easing has been welcomed especially by large businesses who had found these restrictions constraining.

The third Act, ***the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020***,[5] allows "sponsors" to engage with farmers via written contracts and frees downstream players in the supply chain from State APMC regulations by permitting them to operate outside the purview of any "State Act" or of the 1955 Essential Commodities Act (Chapter II, Section 7, Paragraphs 1 & 2 of the third Farm Act).

Although purporting to serve the interests of farmers, all three Acts focus not directly on farmer welfare but on improving the "ease of doing business" for supply chain actors, especially non-traditional private players, such as agritech companies and retailers. So far, States have taken the lead in implementing these reforms, with the Centre merely providing broad direction. Indeed, in recent years, several States have allowed private agribusinesses to establish private market yards or collection centres to undertake contract farming and to buy directly from farmers. Private-sector players operated within the ambit of the State-level APMCs, under the same regulatory umbrella in which APMC market yards served as the backbone, bringing buyers and sellers together to trade in one place. The new reforms under the Farm Acts now create a different structure, outside the regulatory purview of APMCs and therefore of State governments, fully under central Government control. So far, however, virtually no rules exist for this new space: transactions need not be recorded or documented, and nothing ensures competition or the absence of collusion (Narayanan, 2020).

Ominous signs: Control, consolidation and corporatization

In essence, therefore, though the Acts profess to free up trade for farmers, they really remove constraints on buyers and shift control over trade from States, as envisioned in the Constitution, toward the Centre, which can now fully regulate and control agriculture in ways that foster consolidation of select businesses that find favor with the Government in power (Drèze 2020). Much of the fear of protesting farmers and other commentators is about how this new trade area and electronic trading will be shaped.

It is no accident that the protesting farmers have singled out two specific conglomerates as illustrative of the potential perils of these Acts – Adani Agri Logistics (AAL) and Reliance Industries Limited (RIL). Since 2016, the Government of India has turned to AAL to construct and manage publicly-held food stocks under 30-year contracts that provide guaranteed returns. In AAL's own words, they are pioneers "in providing an end-to-end bulk supply chain solution to Food Corporation of India and various state governments" with a vision of "transforming the future of food security for India."[6] These investments have barely created jobs locally in the farming communities where they are located, relying on high levels of mechanization to carry out operations that were hitherto the

[4] http://egazette.nic.in/WriteReadData/2020/222038.pdf
[5] http://egazette.nic.in/WriteReadData/2020/222040.pdf
[6] https://www.adaniagrilogistics.com/Home/about-us (accessed on December 14, 2020; subsequently the site has been edited by the firm)

responsibility of the public enterprise Food Corporation of India. The emergence of large-scale agri-logistics operators is also perceived by activists to result in job losses for many workers in agrifood supply chains, which can outweigh potential gains in employment with the entry of smaller players.

The Covid19 lockdown also saw another large conglomerate, RIL, enter online retailing, aggressively taking on existing e-commerce giants and online food and grocery stores. A $5.7 billion deal between Facebook and RIL in 2020 notes that their digital wares will target as clients "India's 60 million micro, small and medium businesses, 120 million farmers, 30 million small merchants and millions of small and medium enterprises in the informal sector, in addition to empowering people seeking various digital services."[7] The intention is to leverage data to ostensibly provide support to farmers and connect them to retail markets. There are potential benefits if all this happens in a transparent manner while safeguarding farmers' rights and freedom of choice. At the same time, across the world, data technologies have emerged as a "powerful new driver of consolidation." The International Panel of Experts on Sustainable Food Systems (IPES) recommended, for example, that the European Union block agribusiness mergers leading to over-consolidation of farm data that in turn might weaken the relative position of farmers in terms of their say in production practices, access to financial products, the ability to act collectively and to negotiate for better prices (IPES 2019, pp. 53, 66 & 81).

It is not hard to read the tea leaves in the case of India. In the Government's own vision of the future of Indian agriculture and its highly-publicized slogan of Doubling Farmers' Incomes (DFI) by 2022, data-driven technologies occupy pride of place. Not unlike its large unique identity number (UID), Aadhaar, a biometric project widely regarded as deeply problematic, the Government articulates a grand design to ensure that "Aadhaar offers a unique platform to track the performance of … subsidies and, if designed well, a means to track DFI in real time" (Ministry of Agriculture and Farmers Welfare, 2020, p.16).[8] The Government has the stated goal of creating an Agri stack – a database that would include profiles of farmers, their identities, bank accounts and Government benefits as well geographically explicit information on their farms – enabling public-private partnership for the use of such data and allowing private players to build on and monetize these data stacks. Yet there is little clarity on how this Government-developed stack will be transferred to the private sector and the rules that will govern its use and monetization by public or private players. Many ag-tech players are already developing sophisticated tracking and scoring systems, data analytic tools and algorithms to distinguish credit and insurance-worthy farmers from those who are unbankable or uninsurable. Such engagement with farmers is often motivated by the goal of selling fintech (the use of technology to create, enhance or automate financial products, services and processes) and financial products as much as it is about providing farm advisory services or market linkages for farmers. Some worry that many of these data-driven interventions to assist farmers with production practices support industrial monocultures and would in fact promote large agribusinesses at the expense of diverse and sustainable production systems.

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[7] Facebook to Invest ₹ 43,574 Crore in JIO Platforms for a 9.99% Stake. Media Release, Reliance Industries Limited/JIO, Mumbai, April 22, 2020. https://www.ril.com/getattachment/f8f5c090-6286-42f0-96e5-db05b1ded9f4/FACEBOOK-TO-INVEST-%E2%82%B9-43,574-CRORE-IN-JIO-PLATFORMS.aspx, p.2

[8] For details of the Government's vision, see National Conference: New Initiatives (2020) and Department of Agriculture, Cooperation and Farmers Welfare (2020).

Under the current Farm Acts, the promotion of electronic platforms that provide a "facilitative framework for electronic trading" can drive rapid consolidation of firms that manage digital platforms and provide data analytics services. It appears therefore that the Farm Acts allow a data consolidation path into the agricultural sector, enabling these firms to exercise indirect control over agrifood supply chains where they have thus far found it hard to consolidate their position as direct participants in the agrifood retail, processing and inputs sectors. This is a clear and present danger for Indian farmers.

To be clear, the concern is not that agribusinesses are bad. Across States that have reformed agricultural marketing, there are many examples where farmers supplying modern agribusinesses have benefitted. Farmer disenchantment with agribusiness comes not so much from their ignorance of these lucrative possibilities but from their underwhelming experience in engaging with large corporations. The farmers from Punjab, who are leading the protests, have been at the forefront of many key innovations in Indian agriculture. They were the stewards of the Green Revolution in wheat and rice, which was instrumental in India becoming self-sufficient in food grains. One of the first organized contract farming schemes in India that involved a corporate entity was enabled by the Punjab government in 1988–89; and indeed, most early examples of successful organized corporate sector engagement with farmers are from Punjab. Yet many of these have largely failed to gain traction due to risks associated with contract farming and poor contract enforcement.

There are similar cautionary episodes from elsewhere. In 2019, PepsiCo took potato farmers in the Western State of Gujarat to court claiming unauthorized use of their seeds. In another high-profile case, in 2016 the Competition Commission of India opened an investigation into accusations that Monsanto Holdings Pvt. Ltd (MHPL) was abusing its dominant position in the GM-cotton seed industry. MHPL's conditions around the provision, marketing and sale of its proprietary seeds were deemed to undermine and threaten the development of alternate seed technologies by other seed producers. These are grim reminders for farmers of the ways of big business and what small farmers might face down the line, even if not in the short term. A gradual erosion of the network of State-regulated markets under APMC, in the face of private competition and/or benign neglect, would leave small farmers especially vulnerable. Despite their flaws, APMCs provide an organized space and commonly known or shared possibilities for price discovery, providing a benchmark price for collective bargaining and recourse to dispute resolution in the event of disagreements around quality, quantity and payment default. Thus, even without the spectre of agribusiness consolidation, farmers view deregulation without any safeguards to protect farmer interests as potentially catastrophic.

State support in jeopardy: fiscal and global pressures

Another key demand of farmers pertains to the Minimum Support Price (MSP), a defining feature of Indian agricultural policy. Instituted in the 1960s, when India still depended on food grain imports from the US under PL480, the MSP is a price floor maintained by the government for 23 commodities. It is the price at which the Government implicitly promises to buy from farmers, should market prices fall below it. Government MSP procurement is however heavily concentrated on wheat and rice with only limited procurement in other crops. Existing research suggests that the MSP can be an effective price support, but also that it is perhaps the only credible de-risking mechanism for farmers. There is consensus today that India's food self-sufficiency under the Green Revolution was largely enabled by a system of procurement of food grains at a guaranteed price and by subsidies on fertilizer and electricity. In 2019–20, India stocked 70 million tons of food grains, much more than the norms established for buffer stocks. These grains are channeled into a wide network of fair-price shops or the Public Distribution System which in principle distributes subsidized grain under the National Food Security Act (NFSA). In the past decade, however, this system has come under fire. On the one hand, global pressures led by the United States and other grain exporting countries in the World Trade Organization (WTO) have repeatedly sought to curtail or even to dismantle India's food procurement and subsidy program. Domestically too, expert committees and economists have consistently urged the Government to transition away from support to farmers in the form of discounted input prices or guaranteed output prices to reduce the fiscal burden of these operations. A 2015 Report on the role of the Food Corporation of India, which manages this system, advocated a gradual transition to income support for farmers and cash transfers for consumers away from the current system (High Level Committee, 2015, pp. 22-23, 26, 46).

Against this background, farmers see the Farm Acts, which do not allude to the MSP at all, and the entry of private players into public procurement of food grains, as first steps toward dismantling a support regime that has formed the backbone of their livelihood. Farmers have thus demanded that the Government commit to guaranteeing MSP as a legal entitlement, extending to private purchases as well.

Defense of democratic and federal principles

Interestingly, the farmers' protest goes well beyond the Acts themselves, calling also for the restoration and preservation of federal and democratic principles.

India's current Government has built a dubious reputation for decisive action with scant regard for its effects on the poor. Prominent examples are the 2016 demonetization, which within hours rendered invalid 86% of all cash in circulation, the hasty transition to a centralized tax regime (GST) that hurt medium and small enterprises disproportionately, and the stringent nationwide lockdown to contain the spread of Covid-19.

The same Government has also systematically resorted to actions that undermine India's federal structure, even while India's Constitution vests States with wide-ranging powers to legislate and shape the nature of economic growth and development. In passing these three Acts as ordinances during the Covid19 crisis, the Government has shown a willingness to overlook the preferences and local needs of the States. While advocates of the Farm Acts claim, correctly, that such agricultural market reforms have been discussed for two decades, the fact is that these Acts themselves saw no discussion at all. Their rushed passage in Parliament prompted former Indian prime minister, H. D. Deve Gowda, a farmer himself, to express anguish at the lack of any substantive discussion in Parliament on the merits of the Acts.

The farmers and also some commentators see these three Acts as emblematic of a trend towards growing centralization of powers within the country and of a routine disregard for democratic and federal principles. For farmers, their respective State governments have been far more accessible and benign players, accountable even if woefully imperfect. One demand of a section of the farmers is therefore that the Centre should not interfere in State affairs and should "decentralize its powers."[9]

Some farmer groups have gone even farther. The Bharatiya Kisan Union (Ekta-Ugrahan) has demanded the release of farmers who had been jailed for protesting,[10] and has also called for the release of "political prisoners" held across the country for defending human rights in a number of causes ranging from the citizenship rights of religious minorities to rights against discrimination of tribals and historically oppressed castes. This has provoked the Government and its ideological or opportunistic supporters to accuse the farmers of being "anti-national" and to claims that the protests have been hijacked by dissidents out to destroy the country. Critics of an apparently milder disposition have dismissed these protests as led by elite farmers who have too long been mollycoddled with public support; one economist likened the Acts to "snatching away the milk bottle" of a privileged few. The Prime Minister himself has accused the opposition of "playing tricks" with the farmers and misleading them.

Concluding remarks

Few disagree that India needs continued reforms in agricultural marketing and critical investments to enable an adequate and sustainable livelihood for farmers. Not all of the protesting farmers' demands necessarily serve this end. Yet the more critical question is what kind of support, what sort of regulation and what kind of reform serve Indian farmers best. In question is also whether reforms are better executed at the State level and via a deliberative process sensitive to local needs. This approach has led to substantial, if gradual, progress in agricultural marketing reform over the past decade and has offered ample opportunities for learning from various State-level experiences and for course correction. Ramming through the Farm Acts in this context seems therefore an effort toward centralization more than reform, subservient to the interests of big business more than of farmers.

No doubt the Government's stakes in the matter are high. But they cannot match the importance and urgency of what is at stake for the farmers. In such a situation, it is especially unhelpful, not to say insensitive, to dismiss the issues raised by protesting farmers as the concerns of a privileged few. In some ways, repealing these laws might hurt the Government; but a repeal would ultimately enable the country to set Indian agriculture on a trajectory that is responsive to its problems and not to the partisan interests of the Government and its natural allies. If ever India needed a lesson on the importance of democratic decision making, it is reflected in the present episode. How the stalemate is resolved will have serious implications not just for India's agriculture and economy but for India's democracy itself.

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[9] Agitating farmers hand over letter to Centre, demand special Parliament session to repeal new farm laws. *Zeenews*, December 3, 2020. https://zeenews.india.com/india/agitating-farmers-hand-over-letter-to-centre-demand-special-parliament-session-to-repeal-new-farm-laws-2328305.html

[10] BKU (Ugrahan) – the outlier kisan union that the farmers' protest cannot do without. Chitleen K Sethi, *ThePrint*, 16 December 2020. https://theprint.in/india/bku-ugrahan-the-outlier-kisan-union-that-the-farmers-protest-cannot-do-without/567097/

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