

FARM LAWS REPEALED: WHAT WENT WRONG?

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INTRODUCTION

The Indian Agriculture Acts of 2020 (Farm Bills) were initiated by the parliament of India in September 2020. The bill got its approval by the Lok Sabha on 17 September 2020 and Rajya Sabha on 20 September 2020. The President of India, Ram Nath Kovind gave his approval on 27 September 2020¹. On 19 November 2021, Narendra Modi, Prime Minister of India, announced the repeal of the Farm Laws in the upcoming winter parliamentary session. The withdrawal of these Farm Bills has generated a debate about the motive behind it.

BACKGROUND

The agricultural sector employs more than 50% of the workforce in India, contributing around 17-18% to the [GDP](#). Though India is self-sufficient in food production, hunger, and nutrition are issues still faced in our country. To aid this agriculture sector, several reforms have been made throughout time.

- i) The Green Revolution, where agriculture was industrialized with the incorporation of [high yielding variety \(HYV\) seeds](#), tractors, irrigation facilities, and fertilizers.
- ii) Institutional Reforms included collectivization, consolidation of holding corporations, and the abolition of the Zamindari system.
- iii) Land development program incorporating institutional and technical reforms. Provisions of crop insurance were introduced against natural calamities. Grameen banks were established for providing low-rate loan facilities to farmers.
- iv) Subsidies on agricultural input were also introduced by the Government, with a maximum subsidy to be given on fertilizers at present.

The introduction of Farm laws was another attempt at introducing reform in the agriculture sector, similar to those that were introduced in 1991. The centre projected these laws as reforms

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¹ 2020 Indian Agriculture Acts https://en.wikipedia.org/wiki/2020_Indian_agriculture_acts

² Green Revolution in India https://en.wikipedia.org/wiki/Green_Revolution_in_India


that will be accelerating growth by the means of [Private Sector](#) investment, building a concrete infrastructure, and supply chains for agriculture produce in markets, national and international. The laws were introduced with the intent to help small-scale farmers, with no means available at their disposal to bargain or get a better value for their produce. Neither do they have the funds to invest in better technology, to get more out of their farms? The removal of the “middle man³” and market freedom while practising trade were the highlights of these laws.

WHAT ARE THE FARM LAWS?

Farmers’ Produce Trade and Commerce (Promotion and Facilitation) Act, 2020⁴

The Act: It allows the trade of Farmers’ produce intra and inter-state, outside the premises of [Agricultural Produce Market Committee \(AMPC\) markets](#) as well as markets under the state AMPC Acts.

Provisions:

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- Through this act, farmers could practice trade outside of AMPC markets and mandis to areas such as private firms, factories, cold storage, etc.
 - Barrier free trade, as well as inter and intra-state trade, were promoted, facilitating lucrative prices for agricultural produce to farmers through alternative trading routes.
 - Reduction of transportation and marketing costs, thus helping the farmers to get better prices for their produce.
 - Electronic trading like [e-NAM](#) would be facilitated, enabling the scheduled farmers to buy and sell their agriculture produce online.
 - Any market fee (mandi fees) or cess on farmers, traders, and electronic trading platforms for conducting trade of their products in an outside area levied by the state government is to be prohibited.

Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020⁵

³ Role of middle man in the marketing of agricultural commodities
https://www.oerafrica.org/FTPFolder/Agshare/Marketing%20and%20Price%20Analysis/role_of_middlemen_in_the_marketing_of_agricultural_commodities.html

⁴ Act 21 of 2020 <https://egazette.nic.in/WriteReadData/2020/222039.pdf>

⁵ Act 20 of 2020 <https://egazette.nic.in/WriteReadData/2020/222040.pdf>

The Act: To create a national framework for farmers to enter into a contract with the buyers, before they produce or rear any farm produce.

Provisions:

- An agreement between the farmer and the buyer (firms, processors, wholesalers, exporters, or retailers) could be made before the rearing or production of any farm produces for their sale at a pre-agreed price.
- The farming agreement will have a minimum period of one crop season or one crop production cycle. The maximum period is fixed at five years. In special cases, where the production cycle is longer than 5 years, the agreement is to be decided mutually by both parties and specifically mentioned in the agreement.
- The process of determining the price and the final pricing should be mentioned in the agreement, with exceptions excluded. For those exceptions where price could vary, a guaranteed price is to be specified in the agreement.
- Farmers could engage in marketing directly, with the elimination of middlemen, to receive full price for their produce.
- A three-level dispute settlement⁶ with reparations mechanism is also in the provisions. The settlement of any dispute can be made via:
 - i) Conciliation Board
 - ii) Sub-Divisional Magistrate
 - iii) Appellate Authority

Essential Commodities (Amendment) Act, 2020⁷

The Act: Enacted in 1995 the act ensured the delivery of those products or commodities, hoarding or stockholding which would affect the public. The commodities included were cereals, pulses, oilseeds, potatoes, onions, and edible oil termed as essential commodities.

Provisions:

⁶ Explained: In farm laws, the dispute settlement provision Govt has offered to roll back

<https://indianexpress.com/article/explained/explained-in-farm-laws-the-dispute-settlement-provision-govt-has-offered-to-roll-back-7106606/>

⁷ Act 10 of 1995 (Amendment) http://164.100.47.4/BillsTexts/LSBillTexts/Asintroduced/111_2020_LS_Eng.pdf

- The amendment was made to remove this foodstuff from essential commodities, therefore, removing stockholding limits with exceptions under “extraordinary circumstances”.⁸
- Any stock limit imposed on farm produce will solely rely on the price rise. The imposition can only apply if the retail price of horticultural produce increases by 100% and the price of non-perishable food items increases by 50%.
- The increase will be calculated on either the average retail price of the last five years or the price preceding the immediate twelve months.
- Modernization of supply chain and investment in infrastructure like cold storage.
- The provision will curb the fear of excessive regulation in the operation of trade, which in turn will attract private investors into the farm sector.

THE AFTERMATH: ISSUES

- End of [MSP⁹ \(Minimum Support Prices\)](#):

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act proposed the trade of agricultural produce outside the Agricultural Produce Market Committee (AMPC) mandis for farmers. This would ensure barrier-free trade across the country. The [PRS Legislative Research](#)¹⁰ stated that the objective of AMPF was to establish a fair trade, ensuring effective pricing of farmers' produce. By providing licenses to buyers; levying market fees and infrastructure, facilitation of trade was ensured. The MSP assurance has been the main contention regarding Farm Laws. The farmers are apprehended that outside AMPC trade would lead to a decrease in the produce bought by the licensed agencies in mandis. They are worried that the new law would render MSP useless, leading to an uninsured income that was otherwise assured. At present, the government sets fixed MSP for two dozen crops but wheat and paddy are the only crops procured by the government agencies at the AMPC. This is costing the government a lot of money, as well as benefiting only about six percent of the farmers, which is why the act proposed trade outside of AMPC to reduce the stockpile in mandis. The only problem is that MSP was working in the favour of farmers of states like Punjab and Haryana.

⁸ What are Farm Bills <https://www.business-standard.com/about/what-is-farm-bills#collapse>

⁹ What is there in Farm Laws that make them so contentious <https://www.indiatoday.in/news-analysis/story/what-are-farm-laws-farmers-protest-mspthem9723-2020-12-15>

¹⁰ Agriculture Marketing and role of weekly Grameen haats <https://prsindia.org/policy/report-summaries/agriculture-marketing-and-role-of-weekly-gramin-haats>

They were the loudest to protest against these Laws, demanding for the MSP to be mandatory for AMPC as well as private mandis.

- **Contract Farming – Mechanism of Price Fixation**

The Farmers (Empowerment and Protection) Agreement of Price Assistance and Farm Services Act mentions contract farming, along with a framework of agreements pertaining to the sale and purchase of agricultural produce. The agreement should include terms and conditions for supply, grade, and quality of the produce, and the pricing of the product to be purchased. While this may protect the farmers against price exploitation, it fails to prescribe a definite mechanism of price fixation. The apprehension here is that the lack of this mechanism could be able the corporate houses to exploit the farmers. Though contract farming is not an unfamiliar concept, a formal contractual obligation would not be useful for the farmers owing to the unorganized farm sector as well as the lack of legal knowledge, and resources of the farmers. In any case of injustice, the farmers are short-handed against big corporate entities.

- **Deregulation of Food Items – Is Food Security Undermined**

The Essential Commodities (Amendment) Act calls for the removal of pulses, cereals, oilseeds, edible oil, potatoes, and onions from the list of essential commodities. The amendment removes any regulation about the production, storage, and distribution of these commodities. The only regulation to put on the supply of these commodities is by the centre during extraordinary circumstances such as war, famine, natural calamity, etc. A stock limit is to be imposed only when there is a 100% increase in the retail price of Horticulture produce; and a 50% increase in the retail price of non-perishable goods. The contention here is that deregulation of the said food commodities would lead to the exporters, processors, and traders stockpiling agricultural produce. Stockpiling during the harvesting season, during which the prices are lower, and releasing the commodities when there is an increase in prices would undermine food security. States would be unaware of the amount of produce hoarded within, which potentially could lead to volatility in the prices of the said commodities and an increase in their black marketing.

THE REPEAL OF THE FARM LAWS

In a surprise move, Prime Minister Narendra Modi announced the rollback of the contentious farm laws amid all the speculations of the need for such a move. People are trying to decipher

the cause, not just the political aspect of it but also aspects concerning democracy, federalism, and majoritarianism. The farm laws were stalled by the Supreme Court and by the government till the UP elections of 2022. Though, the government was adamant and refused to take back the laws. So, what happened that led to the sudden repeal of these Laws? Was it sudden or a careful ploy that was hidden until now behind the closed curtains? Some of the possible concerns that could have led to the repeal are discussed below.

- **Communication**

In the short address on November 19th, the prime minister acknowledged the fault in his “Tapasya”. The Farm laws were introduced for the betterment of the farmers, but the government failed to communicate this intent¹¹. The prime minister stated that the bills were introduced keeping in mind, the interest of farmers, and they are repealed in the national interest. The government failed at communication to such an extent that, leaving the farmers, they couldn’t even convince their allies of the Akali dal in Punjab. [The Akali dal](#) found itself in a precarious position, given the majority of the protest was carried out by the farmers of Punjab and Haryana. With no other option left, they decided to come out of the NDA coalition. With the exit of the akalis, the government had not only lost a key ally but also an important medium of communication with the farmers of Punjab. The BJP government kind of ignored the very fact that Punjab was the only state in north India not to be affected by the Modi wave in 2019. They should have assessed the face value of Narendra Modi by this very fact at hand and should have not treated Punjab as any other north Indian state. Maybe this was the reason that the announcement was made on the Prakash Parva of Guru Nanak, sending a message to the farmers in Punjab, who were agitated by these laws the most.

- **Passage of the bill**

The passage of the bill was certainly the most controversial moment in the whole episode. The laws were brought in through ordinance and passed hastily in both the houses of the parliament, while the farmers were left in shock. The government may have thought a lot before putting forward these ordinances, however, they had the perspective of an outsider. Assuming what would be the best for the farmers, they didn’t try to gauge what agriculture meant to this

¹¹ PM Narendra Modi says sorry, announces repeal of three farm laws
<https://indianexpress.com/article/india/three-farm-laws-repealed-pm-modi-7630405/>

particular class of people. Any law passed concerning such a large population of farm sector must at least have had their say in it. By cancelling the debates in the house, the government intentionally or unintentionally suppressed these voices. The government was seen as arrogant by the farmers, which caused a sense of anger with an evolving sense of revolt stemming in the minds of the people.

- **Consensus**

Now the question might arise that why was [demonetization](#) met with very little resistance, but the farm laws were largely opposed? Demonetization which was equally troublesome and sprung upon the public out of the blue was accepted with little resistance though it caused a huge amount of inconvenience, while the protests against Farm laws are still in motion. The answer lies in one word, “consensus”. For any policy to gain legitimacy it must, first have consensus amongst the masses. Since democracy is for the people, by the people, and to the people, these laws were essentially supposed to run along the same lines. Demonetization was a success because of the ever-ending corruption in the past decade of Indian politics, which had slowly and steadily built public sentiment against corruption. When tougher measures were called, the public supported the government because they understood the intent behind it. In the case of the farm laws, there was no consensus of the masses. Neither did the government make an effort to familiarize the public with the ins and outs of the three laws, opting for making these decisions themselves. In a democratic country, the voice of the public can't be a choice, but a necessity. When deprived of their voice in matters concerning the public itself, it is no brainer that it will be met with strong resistance. If their voices are not heard, they will raise them continuously, till they are heard.

- **Religious Conflict**

Akal Takht Jathedar Giani Harpreet Singh in his statement addressed his worries about some groups who were trying to use farm bills as a ruse, fusing religious sentiments into an economic decision. Attempts of some groups to turn the farmers' agitation into a Sikh v. Indian Government issue were looming over the head. The agenda of these groups were never the farmer's welfare but a political conflict targeting the Indian state in general. This has been put

¹² The case of demonetization in India <https://www.thehindu.com/opinion/lead/the-case-of-demonetisation-in-india/article37428838.ece>

to an end with the repeal of the farm laws, for which the alkali dal is thankful to the prime minister who put the national interest first. Modi took a step back, fronting the withdrawal to protect the national interest.¹³

- **Cooperative Federalism hindered**

Since the passage of the bill, we saw multiple state assemblies bringing resolutions against the law. Though some of these were politically motivated, it was clear that the central government and the state governments were not on the same page. Any government in India must accept the realities of Indian politics. A continent-sized country cannot be governed through central power, it doesn't matter if the government has the majority coalitions. Agriculture and Markets entry 14 and 28 respectively are state subjects. The bill introduced was seen as an encroachment upon the States' function, going against cooperative federalism. This led to the opposition of these laws by several states, which supported the farmers in their protest.

THE SOLUTION

It's time that the imbalance of power between the centre and the states should be checked. The farm laws highlight the intrusion of central government into state subjects. The involvement of the centre in state subjects is the result of the lack of participation of the states in such subjects. Though the intent of the farm laws was in the right direction, their provisions and how it was dealt with was what led to their demise? The laws were done without broad deliberation or/and building a consensus. The government not only lashed out at critics but closed any discussion over the Bills which came across as ignorant. Public Policies need to be discussed broadly, amongst those who will be affected directly by them. A possible solution would be an inclination towards Federalism. The Centre's role in agriculture markets should be to provide facilitated pan-India commerce, while no state should be able to block interstate trade of farm produce¹⁴. The states can handle many important issues, but they lack. This results in the intervention of the centre, which gradually creates an imbalance in power between the states and the centre. The best solution is stronger federalism, where the state and the centre work homogeneously. There should be open discussions about policies to be framed, and consensus

¹³ Understanding why PM Modi announced withdrawal of farm bills

<https://indianexpress.com/article/opinion/columns/pm-narendra-modi-withdrawal-of-farm-bills-7636403/>

¹⁴ The solution to the farm impasse lies in Federalism <https://www.hindustantimes.com/opinion/the-solution-to-the-farm-impasse-lies-in-federalism-101613827756030.html>

should never leave the priority of the checklist required to form proper reforms or laws concerning the public.

