

Opinion

Farm reforms can be transformative

Ram Kaundinya | Updated on October 07, 2020 | Published on October 07, 2020



Arguments by vested interests that the MSP system will collapse and private trade will become exploitative, are baseless

The Farm Bills have kicked up a political row. Inadequate stakeholder consultation and public education prior to the introduction of the Bills might have caused undue concerns.

The reforms, however, are badly needed and have been delayed by 20 years. The *mandi* system has exploited the farmer for too long. The first reform of liberating farmers from the compulsion of selling their produce in the *mandi* will definitely help them to discover better prices from the parallel private *mandis* that will now be allowed.

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The APMC Act mandates the farmers to sell their produce only in the designated *mandis*. The agents in the *mandis* take commission from farmers for the trade. Many of these agents act as traders and indulge in insider trading, price cartelisation, subjective quality assessment of the produce to pay lower prices to farmers besides other irregularities. Market cess is collected by market committees at 1.5 per cent or more from the price payable to the farmer.

Some commission agents also lend money to farmers and sell inputs on credit. The agents or those farmers who also double up as agents/traders will be affected by the new law. The APMC committees have been sources of political patronage by the ruling party in each State. This nexus of politicians, commission agents and traders has exploited farmers and consumers for the last 60 years or so. Farmers realise less than 30 per cent of consumer price in many commodities. It is natural that all those who have been milking the *mandi* system would trigger such unrest among farmers by selling fear.

The government should press with the new laws while encouraging the *mandis* to upgrade their infrastructure, use modern technology, dismantle the nexus of agents/traders and become more friendly to the farmer. Onsite warehouses with warehouse receipt systems are to be set up so that farmers are not forced to sell under distress. *Mandis* have the advantage of prime locations. Let them compete fairly without insisting on monopoly or protection. Competition will ensure better prices and service to farmers.

This situation is similar to the introduction of private operators in airlines and insurance. LIC responded well to the challenge by improving its efficiency dramatically. The *mandi* system also should attempt the same.

It is basically the rice and wheat farmers who depend on the procurement system who are worried. In the North, these are the most prosperous set of farmers in the country. They should also consider diversifying their crops away from cereals, as this will help replenish the soil, especially in Punjab and Haryana .

Those with vested interests are instilling fear among farmers through baseless statements such as:

The MSP system will be withdrawn. The government has repeatedly said that MSP will continue. This, in spite of the MSP regime having made the markets inefficient.

Rice and wheat procurement will not happen. The government has to continue procurement for the PDS system to function. And the procurement has to happen through the *mandi* system. So, there is no reason to panic that *mandis* and procurement will not continue.

The *mandi* infrastructure will collapse because all farmers will sell their products to private industry. If farmers get better prices from private *mandis*, why should any one complain? The government has said that both systems will run in parallel. Farmers will go to the *mandi* if they do not get minimum support price in private *mandis*. Government procurement will continue through *mandis*.

Private industry will eventually exploit farmers. There is nothing that binds the farmer to a private *mandi* or government *mandi*. Farmers can sell wherever they get a better price.

The second reform of making forward contracts possible will link the farmer to consumers, shorten supply chains, help in setting up primary processing facilities close to villages, and financial services will move in to fund farmers in such closed loop systems. Farmers who produce better quality produce can hope to get a better price.

The government, however, will have to take some measures to make contract farming a success. . A system of digital registration of all buyers must be in place so that there is proper validation and farmers are not exploited.

Farmer producer organisations (FPOs) are crucial as they will have better bargaining power than individual farmers. FPOs can make deals with major buyers and corporates for local and export markets.

Digital platforms, which have been built in the last five years, have to be scaled up through funding support.

Farmers and FPOs have to be trained in the basics of making contracts, agricultural commodity markets, price forecasting, and the like.

The government and the stakeholders have to take this reform to its logical conclusion. There will be certainly some learnings to be picked up along the way. This is the start of a new era for the Indian farmer, and the face of agriculture can change for the better.

The writer is Director-General of the Federation of Seed Industry of India. Views are personal

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