

Gist of EPW September Week 4, 2020

The Economic and Political Weekly (EPW) is an important source of study material for [IAS](#), especially for the current affairs segment. In this section, we give you the gist of the EPW magazine every week. The important topics covered in the weekly are analysed and explained in a simple language, all from a [UPSC](#) perspective.

Bills of Contention

Context

The farm bills were introduced in the Parliament by the Modi-led government. The article analyzes various aspects of the bills.

Background:

- During the last few days of its monsoon session, the farm bills of the Bharatiya Janata Party (BJP) named the Essential Commodities (Amendment) Bill, 2020, the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, and the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020 were passed in Parliament.
- A series of events occurred as a result of this decision. These include the resignation of a union minister from the cabinet, simultaneous protests by the opposition everywhere on the matter of farmers' suicide, and call for a nationwide protest against the farm bills by various organizations of farmers, and the decision of the state governments to approach the Supreme Court against these bills.
- All these reactions seeking the withdrawal of the bills arose because of the allegations that these bills are against the interests of the farmers especially the smallholder farmers who constitute the majority of the agriculture landscape.
- The Bills propose to create a system in which the farmers and traders can sell their purchase outside the Mandis without mentioning anything about the Minimum Support Price (MSP).
- The farmers are apprehensive about getting Minimum Support Price for their produce.

Concern regarding the provisions of the bills:

- Through these bills, the government is promising to facilitate barrier-free trade for commodities produced by farmers.
- This also involves the private sector. This is giving rise to a perception that by involving the private sector the government is abdicating its responsibility towards the farm sector which usually remains distressed.

Reasons for Concern:

There are various reasons for the appearance of such concerns at this hour.

Huge stocks of Foodgrains in the Central pool

- Firstly, the estimates of the government reflect a projection of Kharif production to be around 140.7 million tonnes.
- Till April 2020, the stocks of food grains in the central pool were estimated to be around 73.45 million tonnes which are approximately 300% more than the normal strategic and operational reserve of 21.4 million tonnes.

- In addition to this, the estimates of the Food Corporation of India show that by the end of July 2020, the stocks of wheat and rice are expected to touch a historic level of 92 million tonnes which is also more than twice the stocking norms.
- Recalling the Food Corporation of India's alarming indebtedness to the National Small Savings Fund (NSSF) - NSSF loans are under sovereign repayment guarantee; these are an off-budget expenditure item with attached contingent liabilities for the government.
- The relentless rise in the NSSF loan, however, is a serious threat to the fiscal management efforts.

Recommendations made by CACP and the government's action:

Secondly, with respect to the increasing food grains in the central pool, the Commission for Agricultural Costs and Prices (CACP) has recommended that an open-ended procurement policy should be reviewed to correct the inefficiencies in the market.

- There is no certainty that the government will conform to the recommendations of the CACP.
- It is also not sure that it will not abide by the recommendations, considering its huge expenditures on food subsidy, especially when the economy is facing a downturn due to the pandemic.
- Nevertheless, the decision to increase the MSP of six Rabi crops for marketing season 2020-21 has already been taken by the Cabinet Committee on Economic Affairs, depicting that the procurement mechanism (hence, APMC) will continue.
- While this might decrease the tension over the farm bills, it would again hide the most important issue concerning the bills, which is the inclusiveness of the MSP and procurement through the [APMC](#).

Impacts on the small and marginal farmers

- Are these bills going to benefit the small and marginal farmers? Let us look at certain points to get clarification:
 - First of all, the government policy of **procurement** of foodgrains that ensures the realization of MSP is a rather narrow and uncertain window.
 - The timing and duration of the government procurements are not well-informed to the farmers and in various cases, to the non-farm operators as well.
 - Second, if we look at the ground reality, then we find that the government in India is not the largest buyer in the agricultural markets.
 - For example, the share of FCI in the total procurements of wheat and paddy from farmers was less than 10% in 2018.
 - Third, the MSP and hence, government procurement are highly diverted towards wheat and paddy, therefore, it doesn't encourage agricultural diversification (which is viewed as a tool to double the income of the farmers).
 - Apart from that, there is the issue of diminishing groundwater levels in those states where government procurement has been the highest.
 - Fourth is whether the full utilization of guaranteed floor price by the farmers is possible within the current framework of APMCs where the intermediation costs (commission rates, market fees, and cess) can be prohibitive, especially for the smallholders, needs to be deliberated.

Controversy regarding the bills:

- Due to political sensitivity, the current government has not made any provision in the bill to dismantle either MSP or APMC.
- The controversy lies in the way in which the bills were passed in the Parliament.
- By refusing proper division of vote or informal vote count during the course of passing the bills, the government had to face the ire of the opposition.

- Introducing and passing the Bills in the Parliament on the force of power instead of their merits is not good for both federalism and democracy.

Conclusion:

The bills will be ineffective without discussing some pressing issues such as:

- Removing discrepancies in the functioning of MSP and APMC.
- Whether the interests of small and marginal farmers can be best protected by the state.
- What should be the mechanisms that will prevent corporates from capturing the agricultural market mechanisms?
- How best can the government intervene to create enabling infrastructure so that farmers can do barrier-free trading of agricultural commodities?