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A Wider Perspective on Agricultural Sector Reforms

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ABSTRACT

The agriculture sector is most complex of all the other sectors. It has many direct and indirect implications affecting the masses of the country. The agricultural reforms are need of the hour. There was liberalisation of agriculture trade under the WTO agreement. The India is dominated by smallholdings. The Farm Acts 2020 stand repealed now. There is need for sustainable use of available resources and the biodiversity needs to be maintained. The agricultural sector contributes significantly to India's exports. The water resources are limited. The agriculture in India is mostly dependent on monsoon rains so policy framing should be peculiar to prevalent weather conditions. The farmer's income can be increased by right policy decisions. The traditional farming policies need special consideration. The agriculture, animal husbandry and horticulture etc. are interrelated. The agriculture subsidy related policy should be reconsidered. The Author's view is that the Agricultural insurance is required to be provided on compulsory basis by taking nominal amount.

Keywords: Agriculture, Agricultural reform, MSP, APMC, Farm Acts 2020, E-NAM

1. Introduction

The prohibition of future trading in agricultural commodities was removed in 2003. Agricultural market is a state subject. Karnataka is leader in agricultural market reforms. The Karnataka state prepared a plan in 2012-13 with the assistance of NCDEX (National commodity and derivatives exchange) spot exchange for automation of auction process in Mandis. They integrated all such APMCs (Agricultural Produce Market Committees) with major consumption market to fetch remunerative prices to farmers. All mandis in the State are being unified for single trading. The unified online agricultural market initiative provides an identification number to every farmer who brings produce to the APMC Market. He has option either to use common online platform or the platform of commission agent for auction of the produce. The online buyer or traders willing to buy the produce have to register with platform then he can bid for the produce from anywhere either be it other state or institutional buyer. Thus, the farmers get higher prices and middlemen are avoided. Inspired by this model Central Government launched electronic trading platform for National Agriculture Market (E-NAM) on 14 April 2016.

In first phase it covers 21 mandis from 8 states and 25 crops. The states need to provide (1) a single licence valid across States (2) single point levy of market fee (3) provision for electronic auction. It eliminates Price manipulation by local trading groups. The better price realisation for farmers.

The diversification in crop pattern is required to retain fertility of the soil. A single trading licence valid across the country and when a farmer gets permission to sell his produce in any market throughout the country (Chand, 2016).

“The gap in agriculture income of a farmer and that of a non-agriculture worker increased from Rs 25398 in 1993-1994 to Rs 54377 by 1999-2000. In the next 10 years the income of non-agriculture worker exceeded that of a farmer by Rs 1.42 Lakh” (Chand, 2020).

The agricultural reforms were advocated to mitigate growing disparity between agriculture and non-agricultural incomes. The need was also felt due to liberalisation of agriculture trade under WTO agreement. There is imbalance between domestic demand and supply of agricultural produce. India will be required to sell 20-25% of the incremental agricultural produce in overseas market in the coming years.

There is lack of storage facilities. India is dominated by small holdings. The Co-operative moment is needed in the agriculture sector also. There is need of one nation one market for agricultural produce. The investment and capital formation are required for the growth of agriculture sector. The MSP (Minimum Support Price) should be provided to all the crops.

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Under the APMC Act (Agricultural Produce Market Committee Act), the notified commodities produced in the area under the jurisdiction of an APMC Mandi to be sold only in them. There is no direct sale from farmer to traders. Even if allowed user charges and Mandi cess must be paid without actually using the facility. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 gave the freedom to sell and buy farm produce at any place in the country within APMC Mandi or outside them. The Act allowed direct purchase from farmers at their doorstep or farm as is the case with milk. 25 states have APMC Act. It is argued that the MSP (Minimum Support Price) can be done by states and does not require Central intervention.

Under the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 contract farming was regularised and provisions for safeguarding of farmers were there. This Act had provision for guaranteed price.

Employment of rural youth in agriculture. There is requirement to raise the farmers income. The Essential Commodities (Amendment) Act, 2020 provided for the intervention by the government only in rare cases of price trigger (Chand, 2020).

Those three Farm Acts of 2020 were designed to attract private investment into agriculture sector say the opponents of these laws. The excess irrigation has depleted groundwater. The government subsidies for chemical fertilizers have led to overuse, affecting the soil's capacity to hold moisture. This has negatively impacted productivity of crops. The monoculture farming is continuously growing. Those laws were less effective and comprehensive agricultural reforms are needed. The MSP (Minimum Support Price) for other crops like pulses, maize, millet etc. should be provided (Chatterjee, 2021).

There has been continuous loss of seed varieties and biodiversity. There were more than 70,000 varieties of rice on the Indian subcontinent most of them disappeared due to green revolution and now only 7,000 local varieties exist, out of which only a handful are cultivated. There is threat of total collapse of ecosystem with depleting pollinators and insects due to excessive use of agrochemicals. The agriculture income has decreased gradually. The APMC Act was created to curtail the power of Agricultural intermediaries (traders, brokers, processes etc.) There is need to reform the mandis and improve their accountability towards farmers not bypass them altogether. The participation in online commodity futures markets and negotiable warehouse receipts requires a certain lot size, which is beyond the ability of 90% of farmers in the country. These institutions have been used mostly by traders and agribusinesses rather than farmers.

Although E-NAM trades in 150 commodities but in almost all cases only a single commodity has been taken up for E-NAM trading in each mandi and even that is done on an optional basis. inter-mandi and inter-state trade is yet to materialise. E-NAM holds out little hope for farmers in its current form. It could help link processors, millers, wholesalers, corporate sellers and buyers and other intermediaries in the supply chain.

Natural resources like rivers, lakes, forests and green cover must be conserved. The climate related risk mitigation and preparation need to be adopted. The inter linkage between livestock, plants and the local ecology needs to be maintained. The local knowledge and practices of cultivation that work with the variability of nature must be adopted. The promotion of cultivation of local foods storing and distribution in local areas should be promoted. This also reduce associated transportation cost. The Farmers producer organisation are tools for the bargaining power of farmers by pooling together produce. The lack of awareness among farmers needs to be improved about their benefits (Kumar et al., 2020).

Almost 58% population is dependent on agriculture. Though, Agricultural production has grown, its share in GDP has reduced to below 20%. The Farmer's Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 introduced concept of the one nation one market. It was mooted as an alternative in addition to APMC. It was to reduce the middleman thereby increasing farmer's income. It lifted mandatory Mandi tax. These three Farm Acts were based on agriculture which is in entry 14 and market which is in entry 28, both falls under second list of the Constitution being state subjects. Central government relying on Entry 33 (i.e., trade and Commerce) which falls in concurrent list enacted these laws. The Essential Commodities (Amendment) Act, 2020 relaxed the restriction on stock limit that promotes black marketing and hoarding. The aim was to double farmers income by 2022 (Kumar & Singh, 2021).

The agricultural sector contributes significantly to India's export accounting for little less than a fifth of total Merchandise exports. There is lack of adequate flow of credit to agriculture. The storage facility needs to be improved. Indeed, with liberalisation of imports even domestic markets would demand such institutional changes if our agriculture sector has to survive competition brought about by trade liberalisation.

There is attitude to remove middleman. The public sector or cooperatives do the role of middleman. The public sector as middlemen also utilizes other middlemen and, in any case, has not been cost effective. In a modern economy, it is inconceivable that the role of middleman can be eliminated. There is need to regulate the middleman to make them more efficient and accountable. The future trading should be regulated so as to ward off unworthy speculation. The concept of nationwide MCX has been mooted in the country.

There are two types of uncertainties with regard to weather as well as price. the current regime of subsidies does not tackle the major problem of agriculture viz. uncertainty. The weather uncertainty can be alleviated by insurance but penetration need to be increased (Reddy, 2022).

Various studies shows that large volume of trade takes place outside APMC Mandi that was intended to be regulated by The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 (Srivastava & Saxena, 2021) but in present author's view that measure was unnecessary, counterproductive and tended to monopolize the agriculture trade to few limited entities. The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 was somewhat detrimental to farmer's interest in present author's view because if farmers were unable to supply produce of specified quantity or quality due to unspecified reasons then he was liable to pay the sponsor. The Essential Commodities (Amendment) Act, 2020 set the unrealistic condition for invocation of the Act that was if "price rise is 100% increase in the retail price of horticulture produce or 50% increase in that of non-perishable agri-food stuff over the price prevailing in the preceding 12 months or average price of the last five years, whichever is lower." (Srivastava & Saxena, 2021). This could have led farmers to the mercy of corporates and would have inflicted harsh punishment on them.

Those three Farm Acts were passed in September, 2020 and on 19 November, 2021 Prime Minister Narendra Modi announced to repeal the laws. The farm laws repeal bill, which scrapped the three agricultural reform laws was passed on 29th November 2021. "The Supreme Court suspended three Acts in January 2021, establishing a panel to review the legislation. The panel completed the work at the end of March 2021, but the recommendations were never published. In 2019, around 43% of workers in India were employed in the agriculture sector. In the same year agriculture accounted for around 16% of India's GDP" (Curtis, 2021). The 68% of Indian farmers own landholdings of less than one hectare. The central government currently fixes MSP for 23

Farm commodities. The MSP is meant to incentivize the cultivators to adopt modern technology and raise productivity and overall demand grain production in line with the emerging demand pattern in the country. The economists are in the favour of guaranteed minimum income rather than prices to farmers. (Curtis, 2021).

The India must review present trend of producing water intensive crops such as sugar cane and rice in water scarce areas. We also should review policies related to exporting of water intensive crops such as rice and cotton. The water use efficiency should be increased. India is facing a decrease in available water resources that has implications on India's agriculture sector. If water use efficiency does not improve the country could suffer under water scarcity next one to two decades (Dhawan, 2017). Agriculture is basis for human existence. The sustainable use of resources is required (Shah, 2021). The increase in income can be gradual through suitable policies there is no magic by which farmers income can be doubled.

The number and networks of FPO's (Farm Producers Organization) is very small and it needs to be expanded to enable Farmers to reduce transaction costs, access technology, raise bargaining power and integrate with value chains. The diversification towards high-value crops is required (Chand, 2017). The states need to work towards improving policies for effective land use for agriculture both being the state subject.

The prominent farmer leader of pre-dependent India, Sir Chhotu Ram as a minister of then provincial government got the Punjab agricultural produce markets Act passed in 1939. The Act of 1939 provided for the constitution of market committees having two third farmer representation to oversee the functioning of the markets (Mandi). In this way APMC mandis came into existence in almost all Indian States after States enacted Acts to regulate agricultural marketing.

An advisor to the Indian food ministry Dr Frank W Parker in 1959 suggested Indian government to establish minimum or support prices for all major crops at least one year before harvest as an incentive for production then Food and Agriculture Minister, C. Subramaniam implemented the MSP in 1964. The agriculturalist cannot rely solely on earnings from agriculture thus allied fields of horticulture, animal husbandry etc. should be used as an alternate source of income to farmers and policies should be framed by prospects in all the sectors. There is need of cohesive policies for animal husbandry, horticulture and agriculture. There is need of corporate investment in agriculture sector.

The land holding ceiling does not apply for availing agricultural subsidies like free electricity for irrigation, fertilizers etc. thus result in inequitable subsidised inputs. Therefore, small and big farmers are treated on equal footing despite difference in earning potential and risk-taking capacity. Currently government declares MSP for only 23 crops and there are limited procurement provisions except sugarcane, wheat and paddy. Some commodities like pulses, copra, cotton etc. are procured under the MSP but these have an overall ceiling of 25% of the total production of the commodity for that particular year/ season. The crop ceilings also apply for individual farmers. The MSP are not declared for vegetables and fruits. It is argued that price levels that are not supported by demand and supply cannot be sustained through legal means and that is the problem in according legal status to MSP.

The electronic trading and transaction platform should provide facilities for direct and online buying and selling of farmers produce but the condition that such transaction should result in physical delivery of farmers produce must be complied with. The direct benefit transfer of indirect subsidies in agriculture on per unit landholding basis while limiting the maximum subsidy allowed to an individual farmer based on a land ceiling should be adopted by the government. There is perception regarding legalizing MSP that it would be absolutely counterproductive for farmers, crop diversification and ecological concerns (Beriya, 2021).

The drip irrigation techniques should be used profoundly to make efficient use of available water resources. Agriculture productivity depends on several factors. These include the availability and quality of agricultural inputs such as land, water, seeds and fertilizers, access to agricultural credit and crop insurance, assurance of remunerative prices for agricultural produce, storage and marketing infrastructure etc. Certain issues with the crop insurance system which needs to be corrected are unawareness about Insurance Schemes, inadequate coverage of insurance schemes, assessment of the extent of damage in case of crop losses and timely settlement of claims.

The Pradhan Mantri Fasal Bima Yojana aims to provide insurance coverage to farmers for crop failure, stabilize farmer's income and encourage farmers to adopt modern agricultural practices. The soil health card scheme was launched by the central government in 2015. Under the scheme all farmers are issued soil health cards once every three years. The soil health cards contain information regarding nutrient status of the soil and the recommended dose of nutrients to be provided to the soil to improve its fertility. There is need to provide soil health card to all the farmers and awareness should be created about the appropriate crop to be sown based on the nutrients available in soil and available water resources. An imbalanced use of urea may lead to a loss of fertility in the soil over a period of time affecting productivity. The high yield seeds should be made available to the farmers but genetically modified seeds should not be introduced as it may impact the life cycles of various species and adversely affect the ecological balance. The use of pesticides should be very limited. The factors taken into consideration in determining MSPs include costs of cultivation and production, productivity of crops and market prices (Deshpande, 2017). The growth of Agricultural Machinery is not suitable for India by looking at the available working human population and for curtailing the problem of unemployment.

The average farm size in India has been consistently becoming smaller thereby hampering productivity. This shortage can be compensated by Cooperative farming model. This will also boost their bargaining power. There are means and techniques to grow the crops in less water and they need to be popularised and training should be provided to farmers. This will increase the cultivable land and agricultural produce. The fertility of soil can be maintained by regular use of organic manure and recycling of Crop Residue. The crop residue should not be burnt and instead crushed and mixed again in soil so as to provide necessary nutrients to the next crop.

The traditional farming practices need to be conserved and popularised as the conditions prevalent and in any local area are peculiar to that area and there cannot be any generalizations for the whole country. Even the states demographic conditions are varied so these things should be kept in mind while making any policy decision. There is annual wastage in excess of Rs 90,000 crores have been estimated as a result of inefficient post-harvest management. The government of India has recently launched Rs 1 lakh crore agriculture infrastructure fund for development of infrastructure close to the farmgate. This is a welcome step by the government for better harvest management.

The scheme by government of India namely Bhartiya Prakritik Krishi Padhati (BPKP) seeks to promote agroecology based diversified farming system which integrates crops, trees and livestock with functional biodiversity. This system is largely based on on-farm biomass recycling, stressing biomass

mulching, use of on-farm cow dung-urine formulation and soil aeration. There is need to promote such natural farming practices across India (Patel et al., 2022).

The agricultural insurance is required to be provided on compulsory basis by taking nominal amount. There was save the soil campaign by Sadhguru Jaggi Vasudev. It emphasizes the preservation of soil from contaminants. The productivity of the soil is required to be maintained by limiting the use of chemical fertilizers and promoting organic farming. The crop pattern should be followed to enhance the productivity of the soil naturally. The government should declare the MSP of crops in advance subject to further revision after harvest which should not be less than earlier declared MSPs. The MSP should have legislative base. The MSP should be provided to all the crops.

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