THE QUANDARY OF INDIAN AGRICULTURE

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ABSTRACT

India passes new farm bills

Are india's new reforms a 'death warrant' for farmers?

Farmers reject government's offer on panel, talks deadlocked

Protesting farmer's breach red fort.

Protest turned violent many times

Talks with the government could never conclude on a solution

Even after several rounds of talks, protests, and bandh – no common solution

Finally, government repeals the laws w.e.f. 01st december 2021

We all have been recently hearing all this news all over media and newspapers. Debates have been there over the New Farm Bills passed by Parliament. Famers were protesting for the repeal of these bills. Farmer's protest also turned violent when they swarmed into Red Fort Grounds on Republic Day. Indian Farmers were protesting from 9th August 2020 till the Government decided to repeal these farm laws unconditionally. The 2020-2021 Indian Farmer's protest was ongoing against the Three Farm Laws introduced by the Government of India, and around 40000 committed protestors were sitting and protesting at the Delhi border. Such situations manifest the current predicament of Agriculture in the Indian economy.

We have all learned and heard that agriculture is the backbone of the Indian economy. But just like a human cannot walk straight without their backbone right, the Indian economy could also not move forward in the right direction of growth & development, without the Agriculture Sector being organized. For ages, the primary sector of our country is working in an unorganized form, there is no central body that has a complete database about agricultural land, land owners, and crops being cultivated, what we have is a broad data

in raw form. Further, there is no organization or central cell to monitor disputes and grievances at the national level.

Is it vindicate, and how can it be resolved? Can Farm Bills be again reinstated in the future or will the agriculture sector – one of the major contributors to GDP and employment remain unorganized?

What are the new Farm Laws passed by the Indian Parliament?

In September 2020, Three Farm Bills that were passed by the Parliament received the President's assent and they became The Farm Acts. These Farm Acts are as mentioned below:

(A) FARMERS (EMPOWERMENT AND PROTECTION) AGREEMENT ON PRICE ASSURANCE AND FARM SERVICES ACT, 2020 :

It fabricates a National Framework for "Contract Farming" through an agreement between the Famer and the Buyer before the production/rearing of Farm produce.

Major Provisions of this Act are:

- It provides for a Farming Agreement between Farmers and buyers.

- Specifies minimum period of Farming Agreement shall be one crop season or one production cycle of livestock.
- Maximum period should not exceed five years. In case the production cycle goes beyond Five years, the Maximum period may be mutually decided and be specified in the agreement.
- With regards to pricing, it provides that the method of price determination should be specified in the agreement. For Prices that are contingent on fluctuations, a 'Guaranteed' price and additional amount over it should be mentioned clearly in the agreement.
- For Dispute settlement the Act provides a Three-level dispute mechanism –

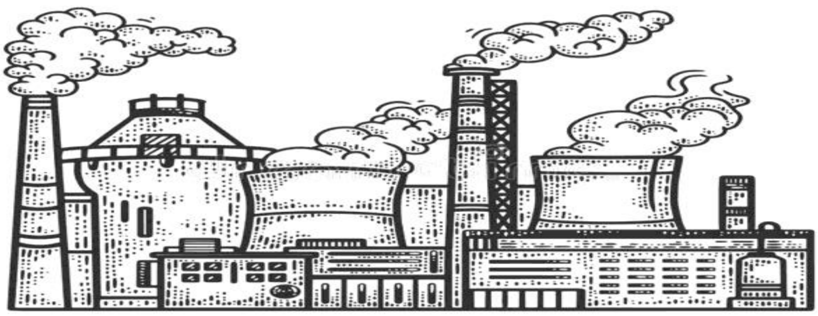
(a) Conciliation Board

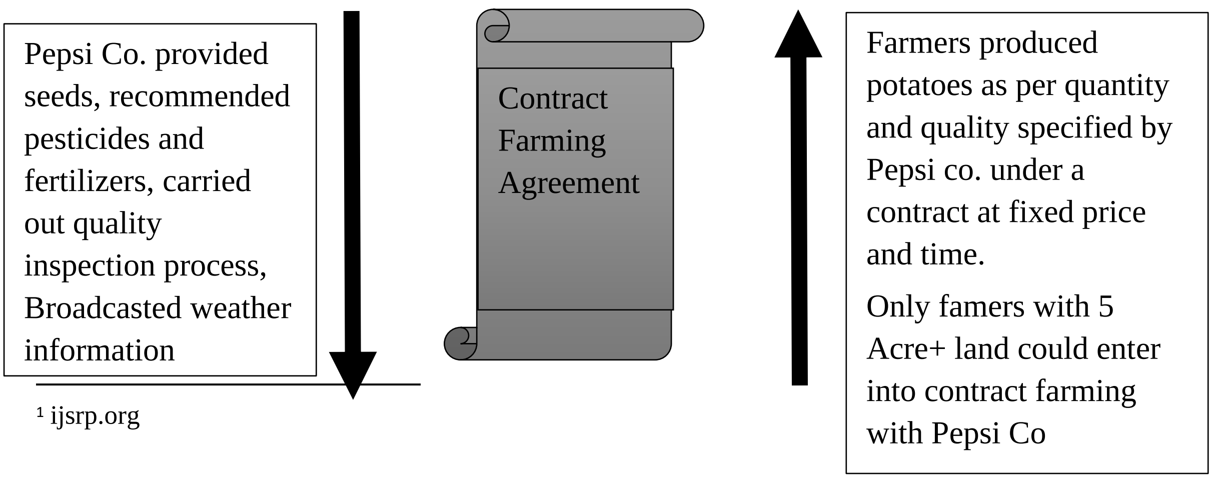
(b) Sub-Divisional Magistrate

(c) Appellate Authority

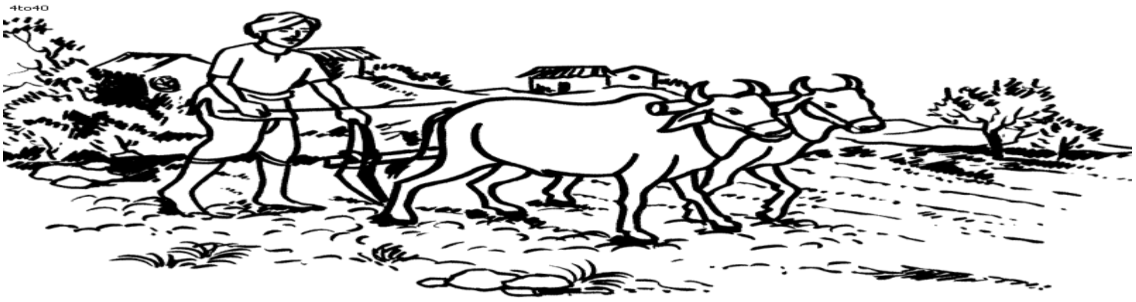
WHAT IS CONTRACT FARMING AND HOW DOES IT WORK?

Let's take the paradigm of **"[1]The Pepsi Project – Contract Farming of Potatoes"**





[1] ijsrp.org



As seen above, Pepsi Foods (Subsidiary of Pepsi Co.) entered into contract farming agreements with farmers of Punjab for the supply of Potatoes. Prices were fixed at the time of agreement and quality and quantity were specified. Farmers were not allowed to sell the produce in the open market. PAFC (Punjab Food Agro Corporation Ltd.) acted as the nodal agency for implementing Contract Farming in the states.

Contract Farming as we can infer from the above-cited example is beneficial both to Farmers and Buyers i.e., corporates, etc.

The vital advantages of Contract Farming are:

- Famers can access technology and information while lowering transaction costs.
- Farmers get an assured market for their produce and a fixed price negotiated earlier.
- Ensures higher production with improved quality and technical guidance for Farmers.
- For Buyers it ensures a consistent supply of inputs at the right time and lower cost.
- Uniformity in inputs improves the quality of output.

DESPITE ITS ADVANTAGES, WHY ARE FARMERS PROTESTING AGAINST IT?

Continuing the example of Pepsi Co., Contract farming in Punjab benefitted both the Farmers and buyers initially, but later it was scrapped– When prices in the market lowered, buyers refused to purchase from the farmers at their pre-determined prices citing issues of quality, Famers complained about the inadequate quantity of inputs (seeds) being supplied to them and pesticides recommended by the company were costly and of poor quality, with time companies procured only 10% of total production and many times at a price lower to the agreed price. With all these problems finally contract farming was scrapped.

Owing to this, farmers are protesting as they fear getting exploited by big corporates dictating their terms. Famers have argued that if the new act was enforced and they enter into contract farming they will become wage laborers on their lands. The Farmer's movement further said that for a year or two they will offer good prices and then they will start controlling cropping patterns and prices.

The government proposed that under the contract farming, farmers will have the alternative to approach the court and no loan will be given on their land and buildings by mortgaging them during the contract period. Thus their lands will be safe.

This seems a little dubious at this time as it's arduous that farmers will agree as their concerns are genuine about their lands and the debt trap, they can get into due to contract farming.

WHAT CAN BE DONE?

There is a need for communication between the Government and Farmers to arrive at mutually acceptable solutions. Taking Farmers into confidence is much required at this stage.

The government has proposed around 11 rounds of talks with the Famers but they all have been inconclusive.

There's a need for a **Regulatory body** that could **regulate the contract Farming sector** and provide a one-stop solution to farmers who find it difficult to fight against breach of contract farming and end up selling lands to repay debts.

Like Stock Exchanges earlier were in the form of Association of Persons (AOP)/Body of Individuals (BOI) with trading being done on floors of Exchanges, but with time and corporatization of exchanges now all the exchanges are regulated by SEBI. SEBI keeps an eye over the working of exchanges and protects the interest of investors. Similarly, in the case of Contract Farming, agreements today are mostly informal as farmers are not aware of their rights, obligations, the importance of Contracts, and their legal enforceability.

Changes to the existing system will take time but reforms in the Indian Agriculture cultural sector are much needed. Government should **take the farmers into the conversation** and give them confidence that their interests are being uplifted and not dominated. Communication with farmers is important at this stage because the most formidable part is the implementation and enforcement of laws which will not be possible unless farmers abet with the Government.

Making registration of contracts mandatory and providing an **online platform** to facilitate monitoring of all such contract sharing agreements will help in effective implementation. Before that a large portion of Farmers are unaware of technological advancements, for that **awareness programs** must be held and a parallel way along with online advancement should co-exist, this will ensure that none of them is deprived of their rights just because of technological unawareness.

With the strive of the Government towards "Digital India", there has been a significant increase in online monitoring and software, awareness among people has enlarged, bountiful of them are getting connected through the internet and are garnering its benefits.

As it is said ***"Changes take time, it's not an overnight thing"***

Current law is difficult to implement without amendments being made to it. Though the repeal of the act is not the solution.

(B) FARMERS' PRODUCE TRADE AND COMMERCE (PROMOTION AND FACILITATION) ACT, 2020

This Act boosts inter-state and intra-state trading of Farmer's produce beyond the physical premises of APMC (Agricultural Produce Market Committee) Markets and other markets as notified by respective State APMC Acts. The Act aims to establish a National market for Agricultural commodities.

Major Provisions[2]:

- Previously farmers could trade only in APMC mandis or APMC yards. They were not allowed to trade beyond this market area notified by their State's APMC Act. But now Farmers are allowed to freely trade outside the aforementioned markets. Now they can trade both inter-state as well as intra-state in areas such as Farm Gates, Factory premises, cold storage, etc.
- Electronic Trading is also allowed for Scheduled Farmer's produce in the specified trade area. It will facilitate online buying and selling of Farmer's produce over the internet.
- Further Market fee is abolished. Previously farmers had to pay a fee for using APMC markets. Fees were mandated to be paid even if the trade was done outside the market area. With the new Act, State Governments are prohibited from levying any kind of fees or cess on farmers, traders, and electronic platforms for trading Farmer's produce "Outside Trade Area"

WHAT IS APMC?

Agriculture Produce Market Committee (APMC) is a marketing committee and it functions under State Governments in India. The main aim behind the introduction of APMC was to safeguard farmers from exploitation by creditors and intermediaries. APMC regulated prices and prevented them from undue inflation. It also ensured timely payment to farmers by auctions in APMC markets.

WHY THERE WAS A NEED TO CHANGE THE EXISTING APMC ECOSYSTEM:

Though APMC's objectives were to protect farmers and give them a market for selling their produce, farmers faced many problems with the APMCs, significant of them are listed below:

- Farmers were not allowed to sell their products outside the APMC specified by their State Government, even if the APMC of another district was nearer.
- State Governments used to charge a Market fee, User charges, levies, and commissions for the agents by producers and traders. These were charged despite the trade being done outside the APMC trade area.

[2] https://www.jagranjosh.com/general-knowledge/farm-bills-indian-farm-reforms-2020-1606901455-1

- Market fees charged were high.
- Fewer markets were available as farmers were not allowed to sell outside the designated markets.
- Cost of intermediaries to farmers was high.
- APMC markets were run by a committee of Farmers (often large land owners) and traders (Commission agents) who acted as middlemen for facilitation of sales, financing deals, and arranging transport. It was a complex system and farmers were easily being exploited and paid less for their produce and intermediaries were earning huge margins.

WHAT DOES THE NEW ACT OFFER?

- Now Famers can enter into trade with any person or company to sell their produce.
- Jurisdiction of APMC laws will be restricted only to designated markets under APMC and these laws will not apply to trades that take place outside APMC. Thus, no taxes, levies, or fees could be charged by State Government on transactions outside APMC designated markets.
- Farmers can fix the price for their produce before harvesting and intermediaries could get assured delivery and pre-determined price. Thus both parties will be benefitted.
- Now the intermediaries/agents have to be competitive and they cannot form cartels and dominate/exploit farmers.
- Thus the new Act promotes healthy competition.
- Farmers can now directly contract with large buyers like corporates, processors, and hotel chains for any quantity, quality, and price. This will create new markets for farmers and they will get bigger opportunities to sell their produce.

Thus clearly the act creates advanced opportunities for farmers, it seems to create a win-win situation.

WITH THE BENEFITS VISIBLE SONOROUSLY, WHY ARE INDIAN FARMERS OPPOSING IT?

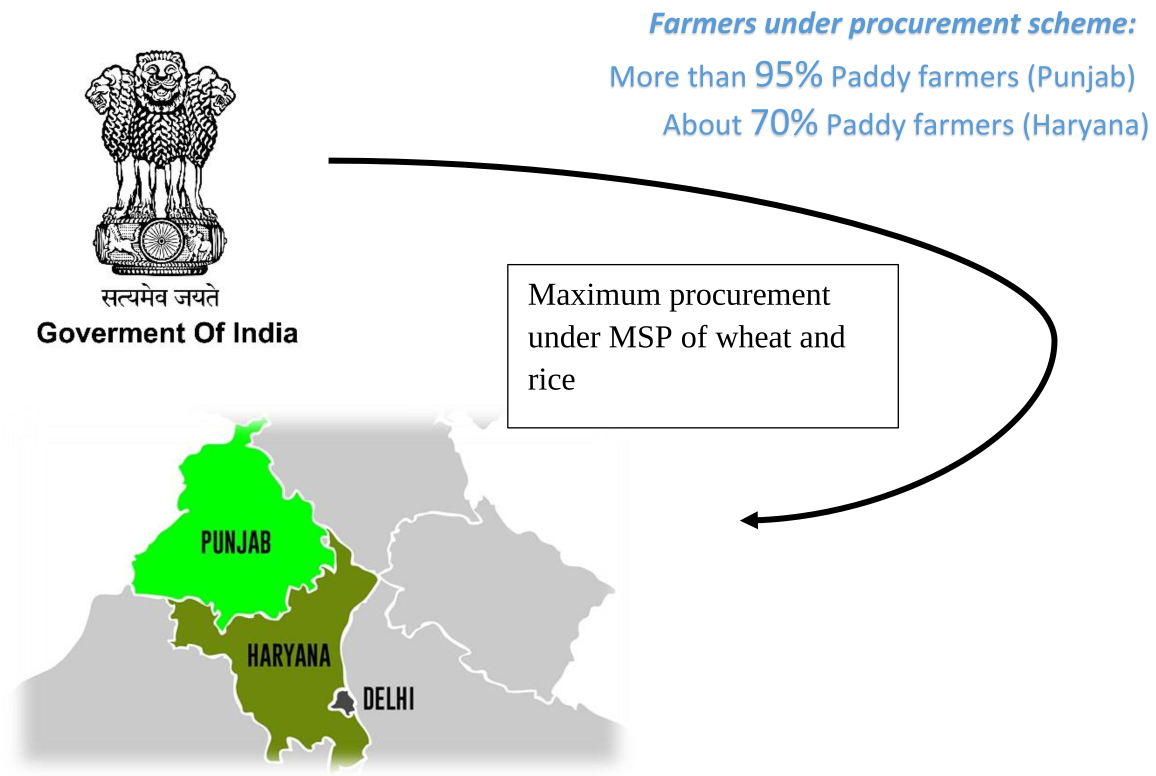
Farmers are perturbed as these laws will eventually lead to the end of fixed, assured prices and wholesale markets. Thus, initially private players will offer good prices and attract farmers towards them, which would eventually lead to the winding up of wholesale markets due to a shift in the direction of private players. With time these private players will get dominance in the market and they will start exploiting the farmers by dictating terms, offering them lower prices, and then farmers would not even have the second option of going back to wholesale markets.

Farmers are demanding Government come out with a written law that the Minimum Support Price (MSP) would not be withdrawn.

Farmers want legislation on MSP and a guarantee that MSP would be extended to cover maximum crops and not just a written assurance from Government.

WHO ARE THE ONES THAT ARE PRIMARILY PROTESTING AND WHY?

The primary protestors are farmers from the states of Punjab, Haryana, and Western Uttar Pradesh.



Farmers from these states are protesting as these states are the ones that have a major procurement share of Government. The advent of the Green Revolution could be traced back to these states and in view to encourage the production of wheat, the Government provided procurement through the Food Corporation of India (FCI) and MSP on many crops. The government primarily procures Rice and Wheat from these states. And if the MSP system doesn't exist then these farmers would be affected tremendously as they get an assured MSP from Government. Majorly Large and Medium farmers benefit from this procurement. As indicated in statistics, large and medium farmers are the ones who occupy a major share in procurement, and the share of small and marginal farmers is relatively low. Therefore it's large farmers who are protesting. As doing away with MSP would significantly reduce their income because they are currently getting a fixed price for these crops. Even if people of these states consume very less quantity of these crops but are cultivating these as farmers are getting a good share from fixed MSP, they dedicate a major share of their land towards the cultivation of these crops.

This is evident from the fact that "Per capita intake and availability of pulses in the country has declined to two-thirds since the early 1960s. Further, during the period of 50 years between 1964-1965 and 2014-2015, per capita production of pulses declined from 25Kg to 13.6kg.

The document titled [3]'Price Policy for Kharif Season—The Marketing Season of 2020-21' points out: "More than 95% paddy farmers in Punjab and about 70% farmers in Haryana are covered under procurement operations while in other major rice-producing States like Uttar Pradesh (3.6%), West Bengal (7.3%) Odisha (20.6%) and Bihar (1.7%), very small number of rice farmers benefit from procurement operations." In total, the procurement system reaches around 11.8% of the rice farmers. This explains why the protests are limited primarily and largely to Punjab and Haryana.

WHAT IS THE IMPACT OF MSP?

Government supports the farmers by procuring their produce at a fixed minimum selling price (MSP). Government cannot purchase everything from all states. That is the reason for large stocks of wheat and rice lying with The Food Corporation of India (FCI). The FCI had 700.27 lakh tonnes of wheat and rice as of September 2020. [4]As per stocking norms, FCI needs to have a strategic and operational reserve of 411.20 lakh tonnes as of July and 307.70 lakh tonnes as of October. Stocks are still large despite distribution by the government to the needy during the crisis of COVID-19.

[3] https://instapdf.in/kharif-crops-price-policy-2020-21/

[4] https://dfpd.gov.in/foodgrain-stocking-norms.htm

MSP is supporting these large farmer's major share of income. Even if Government reduces the procurement, prices of rice and wheat would fall and with the introduction of the private markets, the price will tend to fall further. This is something that will tremendously affect the income of these large and medium farmers; hence they are protesting for the repeal of such laws. Small and marginal farmers who own land of fewer than two hectares are mostly consumers of food and are affected by food inflation.

As inferred from the statistics above ***major procurement is from Punjab and Haryana***, and therefore farmers there are incentivized to grow more Rice and Wheat, as MSP is increased each year and they get an assured price and assured buyer for their produce. Regions of Punjab and Haryana are semi-arid and growing a crop like rice which requires a lot of water has created environmental problems like depletion of ground-water level and deterioration in the quality of the soil.

In eastern states, procurement by Government and MSP is minimum and non-existent in some states.

ARE THE NEW ACTS JUSTIFIED?

Thus, this system benefited majorly large farmers of a few states and therefore the amendments brought in by the government were quite required as it would extend the benefit to all.

Benefits to farmers would not arise overnight as the majority of farmers are small farmers, to deal with their products and market them, they need infrastructure which they could hardly afford. First Government should work towards **improving infrastructure**, like improving the connectivity of farmers to markets by developing roads, proving transport facilities at reasonable costs, improving power supply, and bringing up more cold storages to store perishable products.

Better infrastructure can help in uplifting small and marginal farmers and in bringing Indian Agricultural reforms. The importance of reforms could not be denied but to bring over and see the actual benefits needs some work on other areas first.

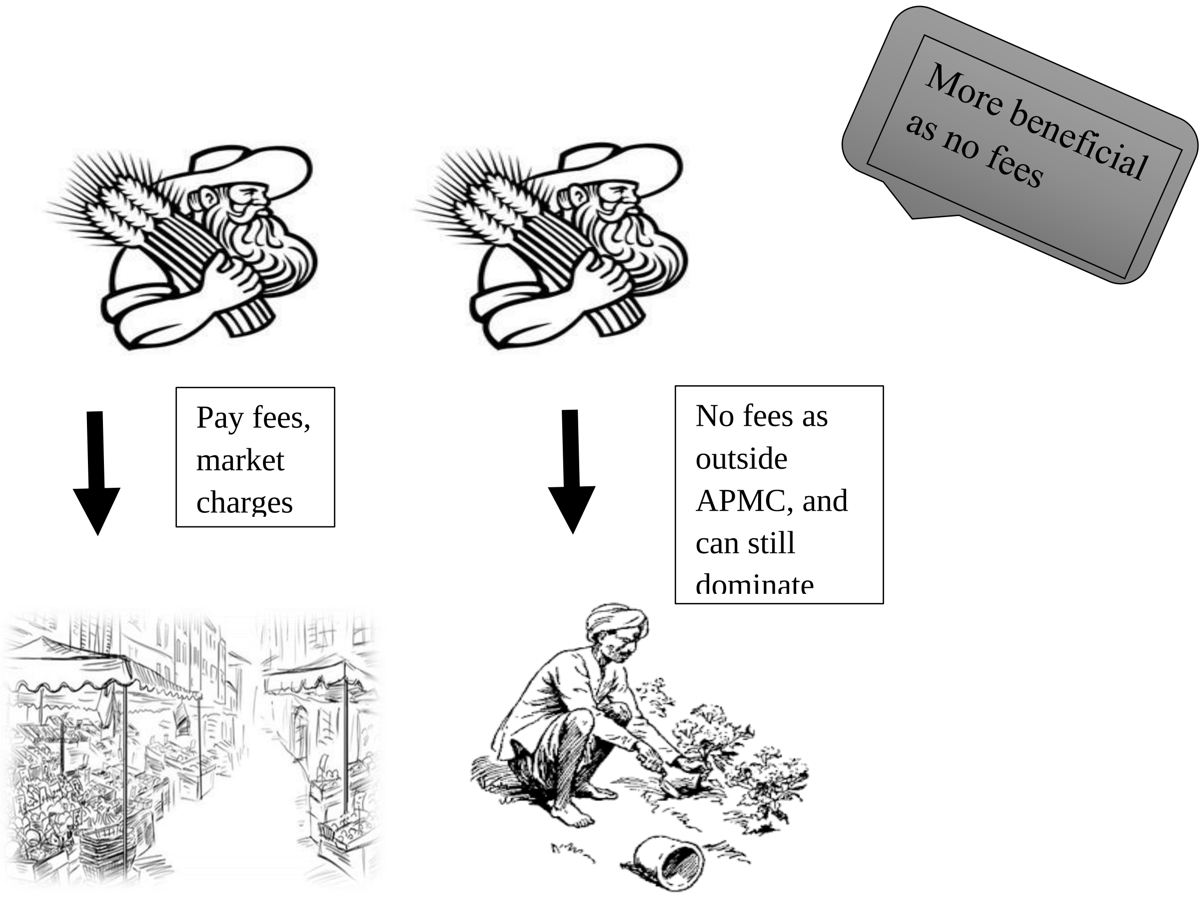
For this **State Governments and Central Governments need to communicate** and develop the infrastructure needed.

The state of Bihar did away with the APMC Act in 2006, but it could not benefit farmers as the infrastructure required was not in place.

Policies should be changed and be made with the motive of benefitting small and marginal farmers. Large farmers have huge plots of land, MSP adds benefit to them and they are the ones controlling APMCs and dominating small and marginal farmers.

Acts, rules, and regulations should be to uplift and increase the earnings of an average farmer. As large farmers aren't the ones who commit suicide falling into debt traps, the majority of them are small farmers who fall prey to vicious debt traps and end up sacrificing their life.

With the current law that states the creation of markets other than APMCs will bring new opportunities to small and marginal farmers – the biggest hindrance in this is, as APMCs are influenced by large farmers, arthiyas (Agents), creation of parallel markets would not resolve this dominance. Instead, these large farmers and agents would move out of APMC to avoid paying fees and everything else will function the same



The creation of parallel markets along with APMC could not resolve the current problems and uplift small and marginal farmers. Regulations need to be strong to oversee that private players do not take up the market and small farmers do not get ‘crowded out’. Thus reforms are indispensable but practicality should also be considered before implementation.

Details need to be studied. Presently bills were rushed through the Parliament without considering opinions and studying how actually it would get implemented

Also, SBI’s Eco wrap report suggested the insertion of a quantity guarantee clause, instead of MSP – it suggested that Government could insert a guarantee clause that procurement to production percentage (%) should be at least equal to last year’s percentage, along with safeguards in exceptional situations like drought, flood, etc.

(C) ESSENTIAL COMMODITIES (AMENDMENT) ACT, 2020

- Essential commodities Act was enacted in 1955 to ensure the delivery of certain products and commodities (which are essential for people and could affect the normal life of people) if their supply is obstructed owing to black-marketing, and hoarding.

- Central Government can regulate the supply of the commodities which it lists as “essential” and even it can fix the Maximum Retail Price (MRP) of any packaged product it lists as “essential”.

- Commodities can be listed as essential when required and can be removed from the list once the situation ameliorates. Government can also notify Stock-Holding limits on products in short supply for a specified period.

- State Governments have the options, they can choose whether to apply Central Government’s regulation or not. If they chose to impose the restrictions then all the traders have to sell off excess stock, they are holding above the limits and notified immediately. This is done to increase supply in the market, which leads to lowering the prices.

Amendment made in the Act[5]:

- Now Government of India will list certain commodities as essential only in cases of war, famine, extra-ordinary price rises, or natural calamities.

- The following commodities have been deregulated by the Essential Commodities (Amendment) Act, 2020.

  - ❖ Cereals
  - ❖ Pulses
  - ❖ Potato
  - ❖ Onion
  - ❖ Edible Oil seeds
  - ❖ Oils

- Stock limits imposition:

According to the amendment, stock limits can be imposed on Agricultural Produce based on price rise and can be imposed only if there is –

- 100% increase in the retail price of Horticulture produce AND

- 50% increase in the retail price of Non-perishable agricultural food items

Calculation of increase in retail price:

- ***An increase will be calculated over the price prevailing:***

- ***Immediately preceding twelve months or***

- ***The average retail price for The Last Five Years***

- ***Whichever is less***

[5] https://www.jagranjosh.com/general-knowledge/farm-bills-indian-farm-reforms-2020-1606901455-1

These restrictions will not apply to stocks of food held for the Public Distribution System in India.

The Amendment further provides that if a stock limit is imposed, it will not apply to a processor or value chain participant, or an exporter. In the case of a value chain participant, such stock should not exceed the ceiling of installed capacity and in the case of an exporter, it should not exceed the export demand. It is not specified if the installed capacity is to be considered on a yearly or monthly basis. The Amendment does not define value chain participants.

WHY IT IS BEING OPPOSED?

- Foodstuffs like onions, pulses, potatoes, etc. are an essential part of the common man's daily needs. If Government would not regulate the chance of their Hoarding and Black Marketing will increase.

- The Farmer's income will be increased as they can sell their products anywhere and just to man or APMCs. Large corporates will buy directly from farmers, it will be remunerative for farmers but it may have adverse impacts if the price of these essential produce increases at the farm level. This amendment would allow big corporates to hoard essential commodities leading to an increase in prices.

- As per the Government, the amendment was necessary as Essential Commodities Act was necessary when India was a Net Importer of Food grains, now the situation has changed and India has surplus production. The amendment is in line with the Government's aim of Doubling Farmer's income and this move will increase infrastructural investment in the agricultural sector.

- Farmers will get a fair price for their produce. But there are chances that large companies start to hoard the product, form cartels, and purchase from farmers at lower prices to hoard the commodities which will lead to increased prices and a burden on consumers. Further, the amendment could also lead to an increase in economic inequalities between rich and poor. As deregulation of essential commodities will lead to profit-led inflation and will widen the gap between rich and poor. With legalizing Hoarding, consumption inequality is bound to rise.

- Amendment to Essential Commodities Act was required as previously Government had the power to impose blanket stock restrictions and traders needed to immediately sell excess stocks even at lower prices which lead to losses. Further, the government could impose restrictions anytime, large buyers purchased far less than their capacity, due to which farmers often suffered huge losses as they have to sell off excess production at lower prices as perishables otherwise would get deteriorate.

- As now India has surplus production in many agricultural commodities still farmers are not able to get higher prices for their produce, due to lack of investment in infrastructures such as cold storage facilities, warehouses, processing, and exports as entrepreneurs got discouraged due to regulations of Essential Commodities Act.

- Now with amendment stock limit could be imposed only in situations of inflation and extraordinary situations like war etc.

- The overall amendment seems to have both sides.

- Another problem that arises is how the increase will be calculated to impose stock limits is not clearly defined. Price triggers do not have reference to any locality and are left vague without explanations. The stocks of agri-businesses equivalent to exports will not be subject to any limits. This creates a huge space for frauds and misrepresentations to hold stock, how will one be able to justify the genuineness of any export order or transaction. How will each export order be traced and confirmed? This will create some practical difficulties in the implementation of the amended act.

- Further excluding value chain participants will make it easy for every potential hoarder to hoard the commodities as they are allowed to hold the stock till their installed capacity or the demand of export in case of the exporter. Installed capacity is usually measured per day/per hour/per month. How can a fair estimate arrive for export demand or maximum capacity? Hoarders will hoard the produce saying it is one-year projected capacity or for a projected export and as per amended law it will be allowed to. Excluding the value chain participants excludes a large number of participants from the purview of the Government as the Value chain involves everyone from a farmer to the exporter.

WHAT COULD BE A POSSIBLE COURSE OF ACTION?

- **The system is required** to be in place. For example, before holding huge agricultural commodity stocks for export, the exporter must be required to furnish all documents like Purchase Order, Quantity to be exported, Date of the export, Price at which it is exported and such exports above certain limits should be mandated to be done within such prescribed time limits to avoid hoarding and price rise situation in local markets.

- **A body/Regulator should be established** to oversee such transactions and to restrict any anti-competitive practices by large corporates.

- **Government should retain control** to some extent w.r.t interfering with essential commodities as otherwise consumers will get exploited. 100% price increase is a highly extra-ordinary situation and increases below that level are justified by the amended act. An increase of even 50% could be high and may affect millions of households. Especially during the time of the pandemic our country suffered from COVID-19, with the imposition of lockdowns and reduced supply, many suppliers were charging exorbitant prices for essential commodities like sugar, rice, etc. Pandemic had affected everyone equally and in such a situation **Government intervention was a must** to avoid such practices.

- [6]In Gurugram in March 2020, the Government seized 25000kg of rice and 23000kg of sugar from a store as the store was selling them at very high prices. This is just one case and there are thousands of such. Had this amended Act been in effect, then Government could not interfere until the price increase is beyond the percentage specified in the act, which is extra-ordinary, and millions of consumers would have been exploited.

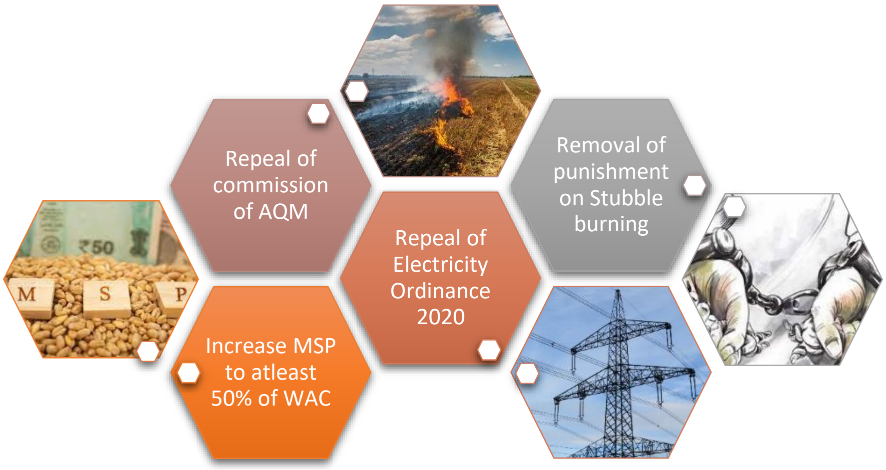
- Major reforms and regulations are still required before implementing this amended Act.

- As **Hoarding could not be made legal**, it will only increase income disparity, benefitting only corporates and large players.

- These were the major demands by the farmers against these Three Farm Acts.

- Farmer’s demands include:

[6] https://www.newsclick.in/Farmers-Protest-Pitfalls-Amended-Essential-Commodities-Act



(a) Implementation of [7]"Swaminathan Panel Report" and pegging MSP at least 50% more than Weighted Average Cost of Production:

- The National Commission on Farmers, chaired by Prof. M.S.Swaminathan, submitted five reports from the period December 2004 to October 2006. Reports recommended reforms like land reforms, irrigation, credit & insurance, food security, employment, the productivity of agriculture, and farmer competitiveness.

- As per the report, it is imperative to raise the agricultural competitiveness of farmers with small land holdings. The report suggested increasing MSP to 50% of WAC (Weighted average of the cost of production) and extending the benefits of MSP to other crops except for wheat and paddy and also include millets and other nutritional cereals.

(b) Repeal of Commission on Air Quality Management in NCR and removal of punishment and fine for Stubble burning:

- Union Government imposed penalties for stubble burning as it was causing air pollution in NCR (National Capital Region). Stubble burning is the practice of setting fields alight to remove old crops. It is intentionally setting the fire. Farmers say it is unavoidable.

- But as per reports stubble burning is a major contributor to toxic air pollution in Delhi and Northern India in the winter months and has been made illegal.

[7] https://www.prsindia.org/report-summaries/swaminathan-report-national-commission-farmers

- Farmers citing it as unavoidable are demanding its repeal.

- Air pollution levels in winters around NCR are significantly high and it has become hazardous to the lives of people living around. Thus, declaring it illegal is the most appropriate way to deal with the problem of toxic air in NCR.

(c) Release of Farmers arrested for burning paddy stubble in Punjab:

- As referred above farmers are also demanding the release of the ones who got arrested for violating guidelines of not burning stubble.

(d) Abolishing the [8]Electricity ordinance, 2020:

- Power Sector is a concurrent subject i.e. both Centre and State have powers to make laws w.r.t. Power sector. Majorly Generation and Transmission are being looked over by the center and Distribution are being taken care of by respective State Governments.

- the Centre wants privatization of the distribution part. Many such attempts were made in past but private players were not attracted due to the presence of "Cross-subsidies" in the Power sector. Cross-subsidisation is a policy by which richer consumers pay more than the average cost of electricity to compensate for the poorer section who pay lower than the average cost. Rural consumers both Agricultural and domestic are major beneficiaries of this cross-subsidization policy of the Government.

- Ordinance 2020, proposes to eliminate cross-subsidies. That means each sector of consumers will pay what it costs to supply electricity to that category i.e. average cost to serve. If any State Government wants to subsidize any section, they may do so by DBT i.e., Direct Benefit Transfer Mechanism.

- This implies Agricultural consumers will be charged the highest as the Cost to serve them is the highest. The subsidy will be given by the state government but the first consumers need to pay the bill up front and if not paid electricity connection would be disconnected.

- Farmers are protesting as the "average cost to supply" electricity in 2018-19 was Rs.6.13/unit. If farmers were to pay this would further put a burden of more than Rupees

[8] https://en.gaonconnection.com/farmers

One Lakh Crore on farmers. And this would have a major impact on small and marginal farmers, as upfront payment would pinch their pockets.

- And under the DBT mechanism also States will take a long time to transfer benefits and many farmers would face disconnections. Already they are debt-strapped with the burden of increasing input costs and upfront payments would further worsen that. Additionally, the identification of individual beneficiaries would be more difficult.

- There's another side to it as large farmers are benefitted from subsidies, and that remains a fact that DISCOMS's major dues are from the agricultural sector, even after subsidy dues continue to remain high.

- Privatization is not a solution indeed as practically implementing DBT is a dubious thing. Many small lands are rented and tenants are practicing farming on them, in these cases, it becomes further difficult to find the beneficiary and the person to make an upfront payment.

- Electricity Ordinance needs practical reforms as burdening farmers would affect production also, in case a farmer fails to pay an upfront payment and gets his connection terminated, how would he use pumps for irrigation, all his input cost would go waste.

- Also, history shows transfer of benefits would not be immediate by States to beneficiaries.

- Thus **Electricity Ordinance requires Reforms considering practicality**. A better way could be worked out which gives benefit to those who need it.

- From the above facts, yes we can say that situation of agriculture in our country is entangled and this is not justified.

- Many *reforms are required keeping practical scenarios* in mind. Reforms should be made after proper communication with the group getting affected so that their interests do not remain unheard. India is a democratic country and everyone has the right to be heard. Had these farm acts been passed after *due communication* with Farm unions, States, and other associations being affected, the situation could have been better today. Any law's effective implementation requires cooperation from the citizens of the nation then only the law can be implemented effectively. Law could not be imposed on anyone.

- Communication and talks between the Supreme Court and Protesting Farmers went on but were inconclusive.

- Many countries and developed nations have bought path-breaking reforms in their agricultural sector, which India can also work upon. OECD (The Organization for Economic Cooperation & Development) has also recommended it and many countries have implemented such reforms.

❖ European Union has adapted policy to support agriculture and also to encourage less environmental damage. Around 80% of the payment made to farmers (Producers) is conditional on mandatory environmental norms[9].

- India has also made stubble burning illegal to reduce air pollution and preserve the environment but farmers are protesting against it. They should be given some ***monetary reward attached to it and should be incentivized towards environmentally sustainable agriculture.***

❖ New Zealand did away with all the subsidies and support in 1984. It suffered a lot of protests but these new norms became the new reality. All subsidies and supports were directed toward Agricultural Research and development. It makes direct payment to compensate for losses incurred due to natural disasters and gives full support in providing information to farmers[10].

- Further, for environmental protection, each farmer is supposed to make a farm-specific emission reduction plan and if they don't reduce emissions as mandated, they would face additional taxes by 2022.

- On similar grounds, India should also ***allocate a part of its budget to agricultural Research and development*** and encourage farmers by providing more information and creating awareness about new technologies and methods. Further, instead of direct monetary benefits, object-linked subsidies should be given.

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[9] https://www.downtoearth.org.in/blog/agriculture/amid-protests-over-agri-laws-let-s-look-at-how-some-countries-support-farmers-74704

[10] https://www.downtoearth.org.in/blog/agriculture/amid-protests-over-agri-laws-let-s-look-at-how-some-countries-support-farmers-74704

- The agricultural sector is one of the most crucial sectors of the Indian economy and a huge employer. It contributed 19.90% to India's GDP in 2020. Though the situation of agriculture is entangled and the reasons are many. Changes are required to Acts being passed and a participative approach is needed from Government's side. Farmers and associations must cooperate peacefully to arrive at a solution. As **no reforms are no solution**. We cannot stop the development of our Nation just to benefit a few. Reforms and changes are part and parcel of any economy, especially a developing one. One should accept the changes and cooperate with the new acts being made and support making India a developed nation. Agriculture is India's biggest strength. With the gift of nature, we have all the precious resources of nature available, we need to make sustainable use of them and help foster growth.

- "*Sustainable agriculture depletes neither the people nor the land"*

Conclusion:

Communication is the key right now to initiate talks and arrive at a decision that promotes the agriculture sector and growth in India. After facing severe protests, laws are being repealed for now, but in the future, we need these reforms with changes and with the cooperation of everyone who will have an impact of these laws. Agriculture – the strength of India, could not remain victimized by its conditions, it needs to become the strong pillar of the Indian economy, which is possible only if the approach towards development is done together and not at a scattered level.

Because if "*Agriculture goes wrong, nothing else will have a chance to go right"*

It is debatable as to what might the changes be and what could be the appropriate way to implement the changes. But the bottom line remains, that changes are required,

"Change is the law of life and those who look only to the past or present are certain to miss the future"

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