Full circle on farm reforms

From the farm laws that tried to free agricultural trade, the Modi govt has reverted to controls and curbs. This is pretty much on the lines of an earlier short-lived experiment at decontrol, back in 1947-48.

MORE THAN three years have passed since the Narendra Modi government enacted its three farm reform laws — first through ordinance in June and then Parliament in September 2020. It was hailed as the “1001 moment” for Indian agriculture.

The laws basically freed the trade in agricultural produce — farmers had the choice to sell to anyone and anywhere in the country, with the trade area no longer confined to state government-regulated market yards or mandis. Traders, retailers, processors and exporters could also buy directly from farmers, including via contact cultivation and supply agreements. There would be no barriers to movement or limits on how much of produce they could purchase and stock.

Following protests by farmer unions, they viewed these as leading to the withdrawal of the state from minimum support price-based procurement operations — the reform laws were repealed in November 2021. They have ceased to exist in letter.

In spirit too

The last year and more have seen even the spirit of the farm laws die. And it’s not even courtesy of the units, but the government itself.

In May 2022, the Modi government banned wheat exports. It also moved export of sugar from the “free” to the “restricted” category, while capping the total quantity that could be shipped out in a year. In September 2022, broken rice exports were prohibited, and a 20% duty imposed on shipments of other non-parboiled non-basmati varieties.

The wheat export ban continues, even as no sugar has been allowed to leave Indian shores for May after this. In July, it was decided to completely stop export of all non-parboiled non-basmati rice.

But it’s an external trade alone.

The Modi government, this June, clamped stock limits on tur (pea rice) and urad (black gram). No wholesaler or big chain retailer was permitted to hold more than 200 tonnes of either pulse, with these set at five tonnes for ordinary scores and 25% of annual installed capacity for dal millers.

Similar limits — contravene the provisions in the Essential Commodities (Amendment) Act, one of the three now repealed farm laws — were rescinded two months in the same month.

With Gandhi lending his weight, Nehru’s govt on December 10, 1947 announced a programme of “planned, gradual and progressive decontrol”. States were told to reduce their rationing operations in stages and rely on internal procurement rather than imports to meet any remaining needs. The Centre would import grain, but only to hold as an emergency reserve of 0.5 mt for market support. Price control at an all-level would end.

The Agriculture Minister Rajendra Prasad (late President of India) anticipated decontrol to result in prices going up initially. But with higher and free prices, the producer price held back or hoarded by farmers and traders would come into the open. Prices would eventually “settle down to a reasonable level”.

It didn’t happen that way. Between November 1947 and July 15, 1948 alone, wholesale prices of food articles soared by nearly 33%. By September 1948, the government had torn back its first ever food control experiment, which lasted nine months.

The lessons

The 1948 decontrol was attempted at a time when India could not produce enough food to meet the needs of its growing population. It was designed to fail, notwithstanding Mahatma Gandhi’s declarations to “make our life natural”. The Nehru government tried again in 1952-54, when good crops embarked on relax protection and controls. But towards the late 1950s — especially post the 1957 drought — it became clear that decontrol and free trade was sustainable for a naturally food-deficit country.

Cut to 2020, when the farm laws were passed. These were advertised as giving farmers greater “freedom of choice” through opening up of alternative marketing channels for their produce. Unlike in 1948, India had now entered a regime of permanent surpluses in most crops, with the FCI’s godowns bursting at the seams. The situation couldn’t have been riper for decontrol.

Subsequent events have proved that decontrol and making “life natural” remain unrealised ambitions. When it comes to food and agriculture, even the most reformist government has failed to control the sudden rise in food prices or come to grips with the most visible hint of shortage — its own price pressures. The Modi government has been no exception to the rule.