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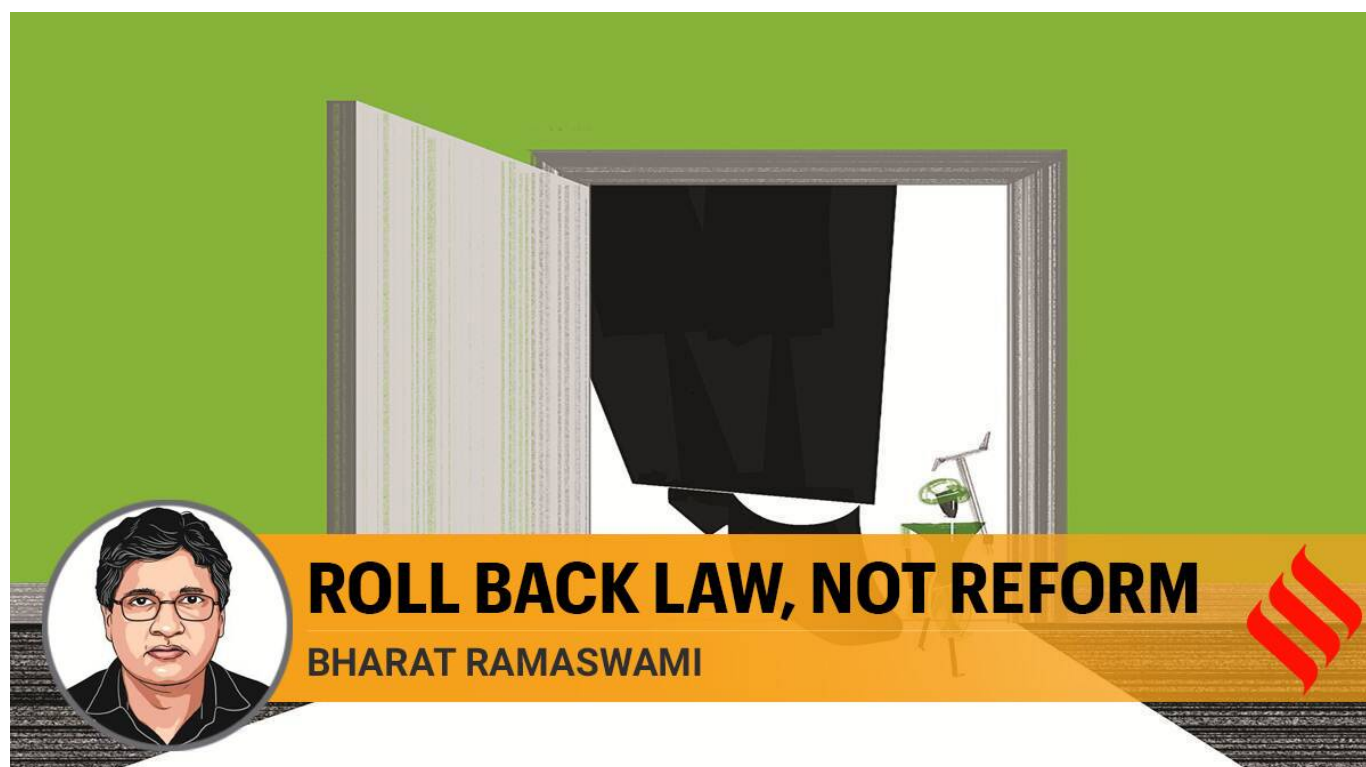
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# Constituency for reforms in BJP-ruled states can disprove fears that farm laws are a corporate plot

If BJP ruled states can open up agricultural markets with sensitivity and care, they would have not only demonstrated the wisdom of dismantling marketing monopolies but have also earned the gratitude of millions of poor voting citizens.

Written by **Bharat Ramaswami** | Updated: December 10, 2020 9:00:42 am



## ROLL BACK LAW, NOT REFORM

BHARAT RAMASWAMI

With the farmers rejecting offers from the government to amend the contentious laws, the situation has reached a perilous impasse. (Illustration by C R Sasikumar)

The resolute, determined, dignified, and peaceful protests by farmers at the borders of Delhi have captured headlines around the world. The protests have also warmed the hearts of many dismayed at the steady shrinking of civil society and dissent in the country.

The uncomfortable truth, however, is that while the new laws are not perfect, they represent a necessary direction for agricultural policy. Without developing new markets for the more dynamic lines of activity, agriculture, farmers and the economy will be stuck with a slow-moving cereal economy. This requires enabling policies and investments.

Government policy has moved that way since the early 2000s aided by a remarkable consensus shared across political parties, state governments and the Centre. Different central governments drafted model Acts in 2003, 2007 and 2017,

each of which successively enlarged the scope of private markets and reduced the monopoly of the regulated mandi. In 2013, similar recommendations were made by a committee of 10 state agriculture ministers constituted by the ministry of agriculture. These included state ministers from Haryana and Punjab.

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With the farmers rejecting offers from the government to amend the contentious laws, the situation has reached a perilous impasse. Some pro-reform commentators have shrugged off their past disappointments to once again hail the Prime Minister as an icon of right-wing economics. It is doubtful that the **BJP** would care to keep this faith. They will, however, be looking for pragmatic solutions. Fortunately, there is one available where the central government can concede without losing the argument.

The first element is for the central government to withdraw these laws — especially the one that allows private markets. The argument that this law is meant to benefit farmers by removing the monopoly of buyers at APMC markets makes no sense to farmers from Punjab and Haryana. These farmers already have a ready and trusted market in the form of the Food Corporation of India. These laws then naturally foment suspicions about their true intent.

In return, farmers should drop their demand for minimum support price (MSP) to

be a legal guarantee. After all, with the Acts gone, we are back to square one. A legal guarantee has severe downsides. For crops other than rice or wheat, it is the private sector that is the major buyer. A minimum price would contract demand, disrupt markets and exports and make farmers and the country unimaginably worse-off. Open-ended procurement and elastic budgets are the only way to enforce a minimum price. No government — not even one of farmers alone — would be able to garner enough resources to implement such a policy for all crops. Punjab and Haryana farmers should look at the failed experiences — whether pulses or apples — to understand this.

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Is this then the end of all reforms? No, it does not have to be. The proper conclusion is that one size does not fit all. In this instance, Punjab and Haryana farmers have reasons to believe that they will lose — and lose big — if the APMC markets crumble. It will be cavalier to dismiss these concerns.

A constituency for reforms has to be built elsewhere — with growers who will benefit from the opening up of new markets. These will primarily be producers of crops other than wheat and paddy. They gain when they access large markets — both domestic and foreign. This needs investment in markets and supply chains, whether from producer collectives or corporates. It is the entry of the latter that is controversial.

However, concentration can be thwarted as long as policy is sensitive to it. The world over, it is the concentration in retail that allows corporates to extend backwards. Groceries are typically the last item to enter supermarket value chains and it is unlikely to be any different in India. This depends not just on conditions internal to agricultural marketing but also on patterns of urbanisation, the cost of land, the cost of private transport and the friendliness of urban spaces to small vendors.

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The BJP governs many states where it can demonstrate the power of liberating markets and literally allow a thousand flowers to bloom. That gives it the chance to disprove the narrative that these reforms are a corporate plot and provide concrete proof of the gains. Without doubt, economic success will melt opposition in Punjab as well.

Such assiduous efforts will put back agricultural reforms where it belongs — to the individual states. Look at what the protests have already achieved. The central government has learnt that its laws lacked safeguards on dispute mechanisms. It has also realised that its sweeping exemption of the new markets from any kind of state levies hobbled APMC markets. But these learnings have come at a great cost with personal sacrifices made by thousands of agitating farmers.

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Such a disconnect can be avoided by moving policy closer to the ground. Perhaps this is exactly what our Constitution framers had in mind when they assigned agriculture as a subject for governance by the states. The Centre should thank the farmers for reminding them of their constitutional domain. No egos need be bruised. After all, the government did believe it was acting in their best interests.

The challenge is for the BJP ruled states. If they can open up agricultural markets with sensitivity and care, they would have not only demonstrated the wisdom of dismantling marketing monopolies but have also earned the gratitude of millions of poor voting citizens. They can do that or be the darling of those longing for a

Thatcherite Modi. The BJP has a choice to make.

*This article first appeared in the print edition on December 10, 2020 under the title 'Roll back law, not reform'. Ramaswami is professor of economics at Ashoka University*

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