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Government Versus Farmers': A Conflict Over the Neo Liberal Agricultural Reforms in India: A Review

Ritika Gautam[1]

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ABSTRACT

In recent years, there has been a growing push for deregulation in India's agricultural sector, with proponents advocating for the removal of barriers to promote trade, efficiency and price discovery. This led to the proposal of three Farm Reforms in September 2020. However, these reforms faced significant opposition from farmers and farmer organizations, sparking debates on the success of neoliberal reforms in sustainable resource development. There is a recognition of the private sector's potential contribution to sustainable agricultural development, but balancing this with safeguarding farmers' interests is crucial. The study employed a qualitative systematic assessment methodology, drawing from secondary sources such as government publications, scholarly journals, online articles, newspapers, and organizational websites involved in agricultural marketing development in India. Emphasis was placed on reports and recommendations concerning agricultural marketing reforms and policies in India, particularly in the context of farmers' protests. The paper presents a comprehensive analysis of the conflict between farmers and the government over neoliberal agricultural policies in India. It delves into the reasons behind farmers' protests against these policies and reforms, while also examining the linkages between neoliberal reforms and Sustainable Development Goals (SDGs). Both farmers' and government's perspectives regarding neoliberal agricultural reforms are explored, highlighting the complexities and challenges inherent in reconciling competing interests in the sector.

Key words: Neo liberal reforms, Farm act 2020, APMC, Agricultural marketing, Sustainable development goals, Framer protest.

A yearlong Indian farmers' protest (2020-2021) against three farm acts passed by Parliament in September 2020 has drawn attention of many scholars and experts to conduct studies focused on the inclination of Indian government towards neo liberal reforms in agriculture. Neo liberal agriculture policy advocates for free market capitalism with limited government intervention and regulation. Agriculture holds the most important place in the Indian economy as it provides livelihood to more than half of the country's entire workforce. As per Census 2011, nearly 96 million people in India are dependent on farming. Despite all the government efforts and agricultural supports, India is still ranked as worst in the food security parameters (GHI, 2022). The primary focus of the development strategy for the agriculture sector has been to achieve food security by increasing agricultural output. However, the strategy did not explicitly target raising farmers' income and farmers' welfare. The net outcome has been that farmers' income remained low, with many farm households ended up below the poverty line.

In recent years there has been a growing call for the deregulation of agriculture in India. Proponents of deregulation are of view that removing of barriers will promote trade and efficiency in the sector and strengthen price discovery. One of the recent examples of deregulation attempt were three Farm Reforms proposed in September, 2020 for agricultural market. The most significant of these was Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act 2020 which allows farmers to sell their produce outside APMC system and enter into contracts with buyers directly (GOI, 2020,). Second was the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020, which provides for the contract farming between the farmer and the buyer/ sponsor (GOI, 2020,).Third was The Essential Commodities (Amendment) Act, 2020, to remove ban on stocking of certain essential items, including cereals, pulses, potatoes, onions, edible oilseeds and oils (GOI, 2020,). While these reforms have been welcomed by some as a step towards deregulation, they have also been met with significant opposition from farmers and farmer organisations. Many farmers fear that the reforms will lead to the loss of government support and market protections, leaving them vulnerable to exploitation by large corporations.

The government's inclination to neoliberal policies in agriculture has been with the aim to increase efficiency and productivity by encouraging farmers to freely compete for better price by focusing on crops that are high in demand and adopting new technologies. Neo Liberal agricultural

[1]Tilka Manjhi Bhagalpur University, Bhagalpur-812 007, Bihar, India.

Corresponding Author: Ritika Gautam, Tilka Manjhi Bhagalpur University, Bhagalpur-812 007, Bihar, India.
Email: ritika.gautam03@gmail.com

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policies promote privatisations of land, removal of subsidies and opening up of markets to international competition. While these policies can have benefits, they also have potential drawbacks particularly for small farmers and rural communities. Removal of the subsidies and potential corporate threats to the farmers' ownership to the land and harvest has triggered multiple protests of the farmers against these policies. This paper aims to put forth the conflict between farmers and government over the neo liberal agricultural policies in India. The first section of the paper discusses the Neo liberal reforms in Indian agriculture sector and the reasons for the government favouring this. A section also discusses the linkages between neo liberal reforms and sustainable development goals (SDGs). The following section covers the farmers' protest against these policies and reforms. The last section of the paper covers the reasons for the farmer's protest against the new act, along with the conclusion and suggestions.

The study's methodology is based on a qualitative systematic assessment of material that was generated from secondary sources, including government publications, scholarly journals, online articles, newspapers, and the websites of various organisations and institutions that are involved in the development of agricultural marketing in India. On the basis of the article's goal, the literature was skimmed with an emphasis on reports and recommendations on agricultural marketing reforms and policies in India with special references to the farmers protest.

Literature Review on Neo Liberal Agricultural Policies in India

Neoliberal agricultural policies have been implemented in India since the 1990s. The neoliberal shift in Indian agricultural policy is obvious from the declining share of public investment in agriculture since 1990s (Singh, 2020). One of the main neoliberal policies implemented in India was the liberalisation of trade in agricultural products following the 'Agreement on Agriculture' with WTO. This involved reducing import tariffs and removing export subsidies, with the aim of increasing efficiency and competitiveness in the agricultural sector (Majumdar, 2016). Liberalised agricultural trade policies of 1990's have brought significant rise in India's agricultural exports with favourable terms of trade and inflow of private investment in agriculture (Majumdar, 2016).

However, several studies have highlighted the negative impact of trade liberalisation on agriculture and small farmers in India. Following the reform, there was a decline in agricultural productivity, a decrease in the amount of food available per person and a change in cropping patterns away from less lucrative food grains and toward high-value, export-oriented cash crops that threatened the supply of food grains (Singh, 2020; World Bank, 2014). The bulk of India's population's access to food is constantly threatened by the fluctuation of food costs on a global scale. The pattern of domestic demand has changed in favour of subpar goods as a result of the increase in the price of food grains (Singh, 2020). Trade liberalisation led to a decline in the profitability of small farms and an increase in income inequality and farmers suicides (Garg *et al*., 2017).

Another neoliberal policy implemented in India was the reduction of government subsidies to agriculture, particularly in the form of fertiliser subsidies. This was done with the aim of reducing government expenditure and encouraging farmers to adopt more sustainable agricultural practices. However, several studies have shown that the reduction of subsidies has had negative effects on small farmers, who are less able to bear the cost of inputs such as fertilisers and pesticides. For example, a study by Shiva (2016) found that the reduction of fertiliser subsidies led to a decline in soil fertility and an increase in the use of chemical inputs, which had negative impacts on both human health and the environment. Decontrol of fertilisers sector has led to unwanted rise in relative prices of fertilisers causing imbalance in use of nutrients - Nitrogenous (N), potassic (K) and phosphatic (P) (Sharma, 2013).

A third neoliberal policy implemented in India was the promotion of contract farming, which involves farmers entering into agreements with agribusiness firms to produce specific crops. Proponents of contract farming argue that it can lead to increased efficiency and productivity, as well as better access to markets for small farmers (Shukla *et al*., 2024). However, several studies have highlighted the negative impacts of contract farming on small farmers in India, particularly in terms of unequal power relations between farmers and agribusiness firms. According to Vicol (2017), an unequal share of bargaining power between the firms and farmers under contract farming led to a higher flow of profits to the firms, leaving farmers in the grip of indebtedness and eviction from their own land, as seen in the case study of potato contact farming in Maharashtra. A study by Singh and Singh (2016) has identified various limitations of contract farming faced by farmers such as lack of technical knowledge, deceived contract terms, quality rejection of produce, late payments, credit inadequacy, no compensation *etc*.

Deteriorating Performance of APMC Market

In India, a network of regulated markets in the form of market yards and sub-rears was constructed under the APMC Act (Agriculture Produce Market Committee) in 1955 to ensure a remunerative price for farmers. The primary purpose of the APMC market is to provide an organised platform for farmers to sell their produce directly to licensed traders at a negotiated price. Farmers are also offered farm subsidies and MSP directly from the government through these markets. APMC markets have played an important role in the success of the green revolution in India, but with time, their performance becomes progressively worse. Expressing concern over the poor performance of the APMC markets, several government reports and studies have suggested reforms such as the decontrol of markets, the development of alternate markets with more private players, and an amendment to the APMC Act to support the free flow of produce between states (GOI, 2021). Reforms related to the APMC Act were nudged forward in 2003 and 2017 by offering a model Act, which was adopted slowly and partially across different states and UTs. Around one third of the states and UTs did not adopt any of the APMC reforms. With time, the regulated market itself became an exploit for the farmers by favouring the licensed cartels and monopolies.

Inadequacy of infrastructure

Government has made significant investments in agriculture infrastructures in India but there is still a long way to go in terms of quality and reach of infrastructure in the sector. Modern infrastructure in weighing, sorting, grading and storing of large scale agriculture produce is required. Lack of logistics connectivity and storage facilities at the farmgate are significant contributors to post harvest losses, reducing product value below its market value (Hodges *et al*., 2010). Opening the market to private players will attract more investment in building post harvest and market handling infrastructure and procurement of produce at farm gates. To double farmers' income by 2023, India needs a total quantum of private investment of rupees 139,424 crores at 2015-2016 prices (Chand, 2017). The Ministry of Agriculture has launched various schemes to incentivise corporate sector involvement in agriculture marketing.

Debt burden on FCI (Food Corporation of India)

One of the leading intentions of farm reforms is to curtail the rising FCI debt burden on the government. The Food Corporation of India (FCI) was instituted in 1965 with the primary duty to procure food grains directly from farmers at a minimum support price and supply them to the targeted population at a subsidised price under the National Food Security Act. Between 1980 and 2009, the cost of purchasing and distributing food grains more than doubled, going from Rs 193/q to Rs 1820/q for rice and Rs 160/q to Rs 1424/q for wheat (Bathla *et al*., 2015). FCI has not been receiving full funds from the finance ministry for a long time, with an outstanding payment of Rs. 2.4 lakh crore due at the end of 2019-20 (FCI, 2020). This has forced FCI to borrow from other sources to fund its operations.

Trade protection and competitiveness: WTO obligation

Farm trade protection and price competitiveness in India have been important issues in the country's agricultural sector for many years. India has implemented various policies and measures to protect its domestic agricultural producers from international competition and to ensure price stability for farmers. While trade protection measures and MSPs provide support to Indian farmers, they can also affect price competitiveness. Higher import tariffs and quantitative restrictions make imported agricultural products more expensive, which can lead to higher prices for consumers. This can impact the competitiveness of Indian agricultural products in international markets. Trade protection measures can also reduce incentives for domestic farmers to improve efficiency and productivity. When farmers are shielded from competition, they may have less motivation to adopt modern technologies, improve farming practices, or increase productivity. This can hinder the overall competitiveness of the agricultural sector in the long run.

India's trade protection measures and agricultural support policies have been a subject of debate and scrutiny in the World Trade Organization (WTO). India has faced pressure to reduce tariffs and subsidies to comply with WTO rules, which aim to promote free and fair trade globally.

Neo liberal pathways to SDGs

The Sustainable Development Goals (SDGs) are a set of 17 global goals adopted by the United Nations in 2015, aimed at addressing various social, economic and environmental challenges facing the world. The goals include eradicating poverty, ensuring access to quality education and healthcare, promoting gender equality and combating climate change, among others. Achieving these goals requires significant financial resources, technological innovation and collaborative efforts from multiple stakeholders.

The private sector, with its financial resources and capacity for innovation, has the potential to play a crucial role in advancing the SDGs (Van Zanten and Van Tulder, 2018; Scheyvens *et al*., 2016; UNCTAD, 2014).This recognition reflects a shift in the perception of the private sector from being viewed solely as a profit-driven entity to being seen as a potential partner in achieving sustainable development. Businesses can contribute to sustainable development by integrating social and environmental considerations into their core operations and supply chains. This can range from adopting sustainable production practices, investing in renewable energy, promoting fair trade, and supporting local communities through corporate social responsibility initiatives (CISL, 2017).

Moreover, the private sector can drive innovation and technological advancements that contribute to sustainable development (UN Global Compact, 2014). Modern agricultural practices such as precision farming techniques can enhance sustainability in agricultural systems (Kayastha *et al*., 2024). By developing and implementing new technologies, businesses can find more efficient and environmentally friendly ways of operating, thereby reducing their ecological footprint. This not only benefits the environment but also creates opportunities for economic growth and job creation.

Recognizing the potential of the private sector, various initiatives and partnerships have emerged to promote collaboration between businesses, governments and civil society organizations towards achieving the SDGs. The United Nations Global Compact, for instance, encourages businesses to align their strategies and operations with the principles of the SDGs. Through this initiative, companies commit to upholding human rights, promoting fair labor practices, protecting the environment, and fighting corruption.

However, while the private sector can contribute to sustainable development, it is not a panacea. There are concerns about the potential risks and pitfalls of relying too heavily on business-led approaches to achieve the SDGs. Critics argue that profit-seeking motives may undermine social and environmental objectives, leading to green washing or the exploitation of vulnerable communities. Therefore, it is essential to ensure that private sector engagement in sustainable development is accompanied by strong regulatory frameworks, transparency, and accountability mechanisms.

In conclusion, there is a growing recognition of the private sector's role in achieving the SDGs. With its financial resources, innovation, and responsiveness, the private sector can contribute to sustainable development by integrating social and environmental considerations into its operations. However, it is crucial to strike a balance between harnessing the private sector's potential and addressing the associated risks, ensuring that business activities align with the principles of sustainable development and are subject to appropriate oversight and accountability (Zhan and Santos-Paulino, 2021). Collaboration and partnerships between the private sector, governments, and civil society organizations are vital to achieving the ambitious goals of the SDGs.

Farmers' Aversion or Protest against Neo Liberal Agricultural Reforms in India

In recent years, India has witnessed significant farmers' protests against certain aspects of its agricultural policies, particularly related to neoliberal reforms. The protests primarily focused on key agricultural reforms introduced by the Indian government:

Contract Farming

The passage and subsequent repeal of the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020, aimed to enable farmers to directly engage in contracts with agribusiness firms outside traditional markets. However, scrutiny of the repealed act reveals concerns regarding farmers' comprehension of contractual obligations, particularly due to unequal bargaining power, market complexities and technical language. The act lacked clarity on legal consequences for situations such as farmers' non-compliance with buyer instructions and liability issues arising from deficient or delayed farming services/inputs provided by buyers (Chaitra, 2022).

Minimum Support Price (MSP) Guarantee

Farmers demanded the assurance of a legal guarantee for Minimum Support Prices (MSP) for their crops. The MSP is the price at which the government promises to purchase crops from farmers to provide them with a minimum income and price stability. Farmers feared that the liberalization of agricultural markets and the weakening of government procurement through the new reforms would undermine the MSP system.

Role of Corporates

Farmers expressed concerns about the increased role of private corporations in the agricultural sector. They feared that the entry of large corporate players, such as agribusinesses and retail chains, would lead to exploitation and unfair pricing practices, leaving small-scale farmers at a disadvantage.

Land Acquisition

Farmers protests in India against land acquisition by the government for industrial and infrastructure projects have been a recurring phenomenon, and there have been several instances of significant protests by farmers in the country before 2020. The Singur and Nandigram Protests (2006-2008) in West Bengal against Tata Motors car manufacturing plant and Chemical Hub, The Bhatta Parsaul Protests, 2011 in Uttar Pradesh against land acquisition for the Yamuna Expressway project.

The protests also highlighted broader concerns about rural distress, agrarian crisis, and the need for comprehensive agricultural reforms that address issues such as indebtedness, lack of infrastructure and access to credit and markets.

Conclusion and Policy Recommendation

The government policy alone so far has not been sufficient to augment the state of agriculture in India. For years, it has been proven that deregulation of agriculture is a successful step to double the farmers' income. This was a huge step that needs to be supported with proper research and planning. However, the government's eagerness in this direction may cause turbulence in the functioning of agricultural marketing. A mandate for MSP should have been included in the policy purview to build trust between farmers and the government. Keeping in view the vast scale of ignorance and lack of technical knowledge among Indian farmers, model farming agreements written in vernacular languages should be provided so that farmers can easily understand them. Opening the agriculture sector to private players can be frightening to farmers, causing them to reject the new agriculture policy. In the wake of drying up funds with the central and state governments to invest in agriculture, they are banking extensively on corporate investment. Without state cooperation and the support of farmers, corporate investment will not be economical. A regime of MSP and the regulated market should not be brought to an end so that the option of a protected environment is always available to risk-averse farmers. We need to understand that the growth of the agriculture sector is essential for the sustainable development of a nation, and farmers are the key agents of the agriculture sector. There is a growing recognition of the private sectors role in achieving the sustainable agricultural development with its financial resources, innovation and responsiveness. But it is crucial to strike a balance between harnessing private sectors potentials and safeguarding interests of the agricultural farmers. The policy for the resurrection of agriculture and rural economies must be initiated with dignity, respect and understanding of the ground reality by taking the members of this sector into consideration.

Conflict of interest:

The authors disclose no conflicts of interest related to the research, authorship, or publication of this article.

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