



## Agricultural Reforms in India: An Analysis on the Implications of the Indian Agriculture Acts of 2020

**Nithya N.R.**

Assistant Professor  
Department of Political Science,  
University of Kerala

**Abstract :** *Agriculture is the backbone for the survival of any community. Agriculture in India is the livelihood for a majority of the population and this can never be underestimated. Increasing population, increasing average income and globalization effects in India will increase demand for quantity, quality and nutritious food, and variety of food. Even after over seven decades of planning since independence, the majority of the farmers are still facing problems of poor production and/or poor returns. Recent trend shows that trade liberalization followed by globalization adversely affected the agriculture sector. This would have far-reaching implications for agriculture and thereby for the rural population, their food security, employment and poverty etc. The Central Government introduced three agricultural reform bills in 2020. The major criticisms of the laws were that they allegedly infringe upon states' rights and anti-farmer. The Indian farmers started mass protests against the laws and the Government had to repeal the three laws. The present paper is an analytical study that discusses the major implications of the provisions of the farm laws.*

**Keywords:** *Indian Agriculture, farm laws, Globalization, Farmer's strike, Agricultural production*

### Introduction

A country without a sound agricultural system may not be capable of producing adequate food materials and other crops. Unlike the developed countries where agriculture is a business, in the developing countries agriculture is, to a great extent, a means of livelihood and part of a way of life. India continues to be predominantly an agrarian and rural economy in terms of its population and workforce even after more than five decades of independence. Agriculture is the primary source of livelihood for about 58% of India's population. In the New Economic Policy under the WTO-regime Indian agriculture is getting integrated into global agricultural business. This would have far-reaching implications for

Indian agriculture and thereby for the rural population, their food security, employment and poverty etc (UNICEF, 2020).

The agriculture sector is one of the major sectors in the Indian economy. According to the Economic Survey 2020-21, the GDP contribution by the agriculture sector is likely to be 19.9% in 2020-21, increasing from 17.8% recorded in 2019-20. Over the years, the government has taken major steps to aid and enhance the agriculture sector with proven farming technologies and supportive policies. The demand for digitisation in Indian agriculture is well understood in recent years (GoI, 2020). In 2021, the Union Ministry of Agriculture & Farmers Welfare, announced the opening of the



Digital Agriculture Mission 2021–2025, while signing a memorandum of understandings (MoUs) with CISCO, Ninjacart, Jio Platforms Limited, ITC Limited and NCDEX e-markets Limited (NeML), to forward digital agriculture through pilot projects. It aims to support and accelerate projects based on new technologies, like AI, blockchain, remote sensing and GIS technology and the use of drones and robots. The Ministry of Agriculture & Farmers Welfare has developed major digital applications to boost technology adoption among farmers. Usually, the Policy Reforms in Agriculture is a debated topic in public discourse for the last several decades (Kavya, 2020). The Central Government introduced three agricultural reform bills in June 2020. These Bills, known collectively as the farm laws, were passed by the Indian Parliament at the end of September. It aspires to liberalise and deregulate the market for the agrarian sector. The bills resulted in a countrywide protest, which becomes a severe recent issue in the agrarian sector of India and finally led to the repeal of laws.

### **Background of Indian Agriculture**

The Indian agriculture system began as early as 9000 BC. During this period some techniques were initiated for the established mode of production in agriculture and wheat, barley and jujube were the popular crops that were domesticated in the subcontinent by 9000 BC (Umesh & Nautiyal, 2013). The farm sector is contributing significantly to the productivity and stability of the Indian economy and it is believed that agricultural prosperity is fundamental to national prosperity. If we look at the history of Indian agriculture, the farmers of the Indus Valley civilization grew peas, Rice, sesame and dates. The people

practised rainfall harvesting. It is found that sophisticated irrigation and water storage systems were developed by the Indus Valley Civilization, as well as artificial reservoirs at Ginnar dated to 3000 BC and an early canal irrigation system in 2600 BC. In the Vedic age, people cultivated the crops of wheat, barley, and other eatable nuts which were the primary food items (Pendem). In the Rigvedic period, people utilized the Sun rays for the purpose of getting good crops in Vedic agriculture. According to the Yajurveda, the agricultural field is the chief requirement for cultivation and it is the best place for sowing seed and one should produce good crops. In the Vedic period, it was the duty of a king to look after the progress of agriculture.

During the Mauryan age, their facilitation included construction and maintenance of dams and provision of horse-drawn chariots which was quicker than traditional bullock carts (Adhau, 2013). During the British era also the Indian economy remained agrarian. Before the British era, agriculture was dominated by subsistence farming organized in village communities. The strategy of commercialization of agriculture by the British government encouraged market-driven production of cash crops like opium, tea, coffee, sugar, jute and indigo. As a result, Indian peasants were forced to grow these crops that blemished the fertility of the land (Woodward, 1902). The development of a minimum of subsistence crops led to the worsening and hardship of Indian agriculture and the farmers. The condition of peasants was miserable. They were suppressed under the triple burden of the government, landlord and the moneylender. They adopted three types of land tenures in India viz., the Zamindari tenure, the Mahalwari tenure



and the Ryotwari tenure. The government has made many efforts in India for the development of the agricultural sector since Independence. But even after over seven decades of independence, the majority of the farmers are still facing problems of poor production and returns (Madhu, 2021).

The beginning of the 1990s was the commencement of far-reaching reforms in the economic policy framework of India. These policy changes were undertaken as a part of Structural Adjustment Policies (SAP) advocated by multilateral agencies like the World Bank and the International Monetary Fund. Agriculture Policies in India since 1991 is to enhance the functioning of the market and to bring down the excessive legislation on Liberalization in the field of Agriculture (Bhalla, 1995). Globalization combined with liberalization has led to the decline of public investment in agriculture. Liberalization of foreign trade resulted in the sharp decline of commodity prices. The declining trend in the growth of food production during the 1990s has serious implications for national food security. As a result, the agricultural income of many farmers has declined. The fall in agricultural income coupled with the rise in the cost of cultivation and cost of living have made a large number of farmers heavily indebted (National Commission for Farmers, 2006). A significant number of farmers commit suicide each year. According to National Crime Records Bureau (NCRB) report, a total of 10,281 persons involved in the farming sector committed suicide, accounting for 7.4 per cent of total suicides victims (139,123) in the country (NCRB, 2020).

### **Indian Agriculture Acts, 2020: Major Provisions and Implications**

In 2020, the central government was planning to amend agricultural bills and formulate three farm bills to make reforms in the agrarian sector in India. The three bills were The Farmers Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020, The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020 And, Essential Commodities Amendment Ordinance (GoI, 2020).

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020 proposed legislation seeks to give freedom to farmers to sell their produce outside the notified APMC market yards (Mandis). This is aimed at facilitating remunerative prices through competitive alternative trading channels. Farmers will not be charged any cess or levy for the sale of their products under this Act. The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020 proposed legislation seeks to give farmers the right to enter into a contract with agribusiness firms, processors, wholesalers, exporters, or large retailers for the sale of future farming produce at a pre-agreed price (GoI, 2020).

The Essential Commodities (Amendment) Bill, 2020 proposed legislation seeks to remove commodities like cereals, pulses, oilseeds, onion, and potatoes from the list of essential commodities and will do away with the imposition of stock holding limits on such items except under 'extraordinary circumstances' like war, famine, extraordinary price rise and natural calamity (GoI, 2020). These three ordinances were introduced on September 14, 2020. The ordinance had been brought to the Parliament as



Legislative Bills for discussion on September 17, 2020, in Lok Sabha and Lok Sabha passed the bills and on September 20, 2020, the bills were passed by Rajya Sabha. The President of India gave his assent on September 24, 2020, and the Gazette notification was published on September 27, 2020 (GoI, 2020).

### **Major Provisions**

***The Key Provisions of Farmers Trade and Commerce [Promotion and Facilitation] Act 2020 are:***

- The new legislation will create an ecosystem where the farmers and traders will enjoy the freedom of choice of sale and purchase of agri-produce.
- It will also promote barrier-free inter-state and intra-state trade and commerce outside the physical premises of markets notified under State Agricultural Produce Marketing legislations.
- The farmers will not be charged any cess or levy for the sale of their products and will not have to bear transport costs.
- The Bill also proposes electronic trading in transaction platforms for ensuring a seamless trade electronically.
- In addition to mandis, freedom to do trading at farmgate, cold storage, warehouse, processing units etc.
- Farmers will be able to engage in direct marketing thereby eliminating intermediaries resulting in full realization of price. (GoI, 2020).

***The key The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020 are***

- The new legislation will empower farmers for engaging with processors,

wholesalers, aggregators, wholesalers, large retailers, exporters etc., on a level playing field. Price assurance to farmers even before sowing of crops. In case of higher market prices, farmers will be entitled to this price over and above the minimum price.

- It will transfer the risk of market unpredictability from the farmer to the sponsor. Due to prior price determination, farmers will be shielded from the rise and fall of market prices.
- It will also enable the farmer to access modern technology, better seed and other inputs.
- It will reduce the cost of marketing and improve the income of farmers.
- Effective dispute resolution mechanism has been provided with clear timelines for redressal.
- The impetus to research and new technology in the agriculture sector. (GoI, 2020).

***The Key Provisions of Essential Commodities [Amendment] Act, 2020***

- The law provides that the central government may regulate the supply of certain food items including cereals, pulses, potatoes, onions, edible oilseeds, and oils, only under extraordinary circumstances. These include (i) war, (ii) famine, (iii) extraordinary price rise and (iv) Natural calamity of grave nature.
- Stock limit: The Ordinance requires that the imposition of any stock limit on agricultural produce must be based on price rise. A stock limit may be imposed only if there is: (i) a 100% increase in the retail price of horticultural produce; and (ii) a 50% increase in



the retail price of non-perishable agricultural food items. The increase will be calculated over the price prevailing immediately preceding twelve months, or the average retail price of the last five years, whichever is lower.

- Relevance of Public Distribution System: - By this Amendment Act Food grains are to be distributed under the PDS under the Central Government to provide products to qualified persons at subsidized prices.
- Direct Marketing:-This Amendment Act is based on the direct selling of Farmers Produce to Sponsors. This Act avoids Mantis/middlemen in the process of Farming. In the base, it helps to increase Farmers Income.
- Contract Farming: - This Act promotes contact or agreement-based farming conducted between the Farmer and sponsors. (GoI, 2020).

This Act promoted Foreign Direct Investment [FDI]: This Amendment Act promote the rise in production, distribution, and supply to attract the private sector and FDI to the Agriculture sector. This Act encourages the supply chain system to promote Globalization and the FDI system. This Act guarantees farmers to eradicate the fear of private investors.

- It inspires the interest of consumers: - This Amendment Act offers support and protects for Agriculture foodstuff in an extraordinary situation like war and famine.
- To create competition mind in the Agricultural sector and encourage

people to farm Sector: This Act ensures free-enterprise competition and promotes the transformation of wasteland were to Agricultural land and thereby attain price stability (GoI, 2020).

### **Implications of Farm Laws and Farmers' Protect**

The farmers have been protesting against the three farm laws which were passed by the Parliament in September 2020. Since the laws were passed, farmers started protesting across several parts of the country with farmers in Punjab and Haryana at the forefront of the agitation. In Punjab, they had also launched a 'rail roko' movement before they decided to take their agitation to the national capital. The key demand was the withdrawal of the three laws which deregulate the sale of their crops (The Hindu, 24-Sept-2020). The farmer unions could also settle for a legal assurance that the MSP system will continue, ideally through an amendment to the laws. The government's justification is that farmers will be free to choose their markets and the MSP system will continue and farmers will have equal say in setting the sale price and that they can withdraw from the contract at any stage without penalty, however, farmers argue that the corporates will have an upper hand in setting the price and in resolving disputes in courts (The Times of India, 18-December, 2020).

The farmer's protest had presented an unparalleled political crisis for the BJP Government, including the loss of a key ally, and drawn the attention of the Supreme Court. The Samyukta Kisan Morcha (SKM), which is A body of about 40 protesting farm unions, argued that with the Centre agreeing to several demands, "the current agitation stands suspended". As per the data released by



The Samyukta Kisan Morcha, over 670 farmers have lost their lives in the year-long agitation against the farm laws. (The Indian Express, January 08, 2022) Similarly, the massive protests by farmers across states led to brutal police crackdowns on protestors. During this strike, farmers had been called anti-national and Khalistani. During this period, Wireless internet access was blocked around some protest sites and the Indian Government also informed social media platforms to block some content relating to the protests. According to the human rights NGO Amnesty International, hundreds of Indian Twitter accounts were suspended after the government said users were posting content inciting violence due to their use of the hashtag #FarmersProtests. Twitter reversed its decision by the evening (John, 2021).

Opposition parties, including Congress, protested against the bill and demanded the withdrawal of the three contentious legislations. They felt that the three farm laws are an assault on the rights of the states and violate the federal spirit of the Constitution. The Opposition parties also alleged that the central government agencies had a role in orchestrating the violence that broke out during the farmers' strike. The Kerala State moved a resolution in Supreme Court against the Controversial Farm Bills (The Wire, 2020). Because the State considers three Farm Laws are 'Anti-Farmer' and 'Pro-Corporate'. Similarly, thousands of farmers under the leadership of over 32 farmers' unions strongly demanded an amendment in the farm laws.

As the distress intensified, the Central Ministry held a series of discussions to resolve the issue. On January 12, 2021, the Supreme Court stayed the implementation of the laws. Hence, the

Government had to repeal the three laws that were anti-farmer, anti-people and in the interests of corporates (The Indian Express, 20-November 2021). Both Houses of Parliament passed the Farm Laws Repeal Bill 2021 by voice vote to annul the laws enacted in September 2020 to liberalise the trade of farm produce. It is felt that the Bharatiya Janata Party's devastation in the Punjab civic polls and Haryana by-elections are also considered to be the reasons behind the government's sudden move and also in the wake of forthcoming elections in many states (The Hindu, September 27, 2020). Many of the protesting farmers were relieved at the announcement. Last week The Election Commission of India announced the election schedule for five states, Goa, Punjab, Manipur, Uttarakhand and UP.

### **Conclusion**

Agriculture is the most important sector of the Indian economy from the perspective of poverty alleviation and employment generation. The agrarian crisis and farmers' distress over the past decade are closely linked to the neo-liberal policy regime implemented in the country in the recent past. The neoliberal reforms of the early 1990s fundamentally changed the orientation of the Indian state towards agriculture and its farming populations. The worst affected are the small farmers, as they are more vulnerable to crop losses and a price fall. There was a sharp decline in the export of agricultural commodities during the post reforms period due to price volatility in the international market. Recent trends suggest that the agricultural sector in the state has entered a state of alarming decline. There was also a considerable decline in public investment in the agriculture sector. Enhancing



agricultural productivity and rural growth is the need of the hour.

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