

Hunger explained?

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Farmer demonstrations in India: poor farmers against pro-liberalisation leader?

Listening to the media, it may be tempting to interpret the huge farmer demonstrations that have occurred in India since last November as the upheaval of hundreds of millions of poor Indian farmers (= the Indian People) against the liberalisation policies that the nationalist extremist religious Hindu pro-business leader Modi intends to implement.

This black and white picture that would clearly point at the “good” on one side and the “evil” on the other, would be a gross oversimplification of the complex Indian situation.



Why are the farmers protesting?

They are marching against three Bills approved by Parliament during the last quarter of 2020. They were passed first effortlessly by the Lower House (Lok Sabha) and then, in great confusion, by the Upper House (Rajya Sabha). They are:

- The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020;
- The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Bill, 2020; and,
- The Essential Commodities (Amendment) Bill 2020.

The first of these three Bills allows farmers to sell outside government-controlled marketing yards or “mandis”. The reason given by the government for this change in policy is to offer farmers greater freedom to sell their product, as the “mandis” are presented as obsolete markets dating back to pro-socialist policies of the past that are not functioning well any more, as they attract a small number of traders who are said to be adopting cartel-like rent-seeking attitudes and paying low prices to producers.

The second Bill, makes provisions for the setting up of a framework for contract farming agreements (e.i. marketing contracts between farmers and private operators) that can be signed in anticipation to production.

The third Bill is an amendment of a 1955 law will allow greater freedom of movement of agricultural commodities.

The implementation of these three Bills would definitely be a step towards the liberalisation of trade of agricultural products and the replacement of the existing administered system by a more market-driven economic model.

Their approval immediately created fear among farmers that this might be a first step towards even further liberalisation of agricultural markets and the removal, in a near future, of the system of protected minimum support prices for 23 agricultural commodities that has been in place since 2009. Observers believe that this rumour is at least in part the result of a lack of information and negotiation between the government and farmer organisations.

Let's remind here our readers that the All-India minimum support prices are computed every year by the Commission for Agricultural Costs and Prices (CACP) following a specific method and that they are supposed to be fixed at a level of at least 1.5 times of the All-India weighted average costs of production for each commodity. This provision seeks to secure a reasonably fair remuneration for farmers. This pro-farmer policy is in part responsible for the existence of an expensive consumer subsidy and food security program that aims at ensuring that food remains accessible for the poor [read].

Who are the protesters?

According to press reports [read], the majority of the demonstrators are farmers from Punjab and Haryana, the two northern Indian foodbasket states neighbouring the capital, New Delhi. These states are two of the main agricultural producers of the country. They have benefitted from huge investments in irrigation since the start of the Green Revolution and are equipped with effective

transport and modern storage facilities. They are also considered to be among the major beneficiaries of the minimum support price.

One can argue that the computed support prices benefit mostly the more productive and larger farmers who are able to sell surpluses at prices computed to be far above their cost of production. This is rather easy to understand because the support prices are based on an All-India weighted average cost of production for each of the 23 commodities, in which the low cost of production of the most efficient and productive farmers weighs heavily. These latter farmers therefore make huge profits as they can effectively capture at least the 50% margin between the average cost of production and the support price – and often much more – that arises from method of computation of the price. In contrast, those farmers whose cost of production is higher than the average will sell with less profit and, for many, at a loss. It is among the former that most of the protesters are found, for the latter, they will probably be negatively impacted neither by the Bills nor even if the minimum support prices were to be cancelled.

The fact is that in India, more than 90% of farmers are small and marginal (less than two hectares) and they are often net food buyers. Therefore they have hardly any opportunity to gain from support prices. This is for example the case of small farmers in Bihar for whom prices in “mandis” are low compared to their high costs of production. Consequently, in some states, less than half of the producers benefit from the minimum support price and many are excluded because they suffer from discrimination by traders on the ground of caste [read]. As a result, according to one author, while farmers in Punjab and Haryana sell almost their entire rice and wheat output with profit, at the minimum price, to the Food Corporation of India, most farmers in Bihar are forced to sell at a discount of 25% to 35% [read].

It is therefore not a surprise that the large efficient farmers from Punjab and Haryana and the traders operating on the “mandis” make up the bulk of the demonstrators as they are the main beneficiaries of the mechanism they fear to see dismantled. Both these categories are well placed to grab the rent that the minimum support price policy generates. It is also clear that these people are not poor farmers but rather affluent agricultural producers and traders, as illustrated by the tractors on which they have come to the suburbs of Delhi and by their capacity to occupy the ground for three months.

The positions

The protesters have been demanding that the Prime Minister repeal the Bills as they would minimise the government’s role in agriculture and leave them at the mercy of the greed of corporate private sector.

On the other hand, the government has been arguing that the bills would give more freedom to farmers, attract investment to agriculture and stimulate growth that has been quite sluggish in the sector for several years. In particular, farmers would be able, it says, to sell directly to supermarkets and food companies and

thus obtain better prices. This, according to the government, would bring more flexibility into a sclerotic food marketing system.

The decision by the Supreme Court, on January 12, to stall the Bills, was welcomed by demonstrators. It may offer an opportunity to find a way out of the crisis for the government, by resuming dialogue with farmer unions in order to negotiate a compromise.

Indian agriculture

It is probably worth recalling here that more than one out of five farms in the world are in India and that more than 60 percent of India's 1.3 billion people depend primarily on agriculture for their livelihood, although the sector only accounts for about 16% of the country's gross value added. In recent years, the annual growth rate in real terms in the "Agriculture and Allied sectors" category has remained on average below the government target of 4%, at 2.9% in 2018–19, according to the Economic Survey 2019–20.

Rice and wheat production have been growing steadily since the 1960s to reach in 2019 close to 180 million tonnes for rice (of which around 10 million tonnes is exported, making India the first rice exporter in the world) and just over 100 million tonnes for wheat.



However, life is difficult for the mass of rural dwellers of India, as illustrated by the estimated 15,000 suicides of indebted farmers every year [\[read\]](#). Some States¹ have tried to innovate by providing protection to farmers through farm area based direct payments and loan waivers. But most of these instruments do not reach the poorest rural households and benefit larger farmers. Unconditional cash transfer

¹ India being a federation, the State have great autonomy particularly in terms of agricultural and social policies.

programs have also been implemented to help the poor but they have served more as safety nets than as a source of investment and growth.

Despite these activities, there has been growing anger against government and rural urban migrations have been massive over the years [read], in spite of high unemployment in urban areas – particularly for youths. The importance of this migration was illustrated by the spectacular return to rural areas that was triggered by the COVID-19 pandemic in 2020 [read].

Paradoxically, in spite of all this and the three agricultural Bills passed end of 2020, the BJP² government remains extremely popular, probably because of its strong nationalist, populist and religious rhetorics and policies, and it may very well win the next election planned in three years, as its opposition is divided.

In the meantime, farmer unions and organisation have warned of a mammoth demonstration on January 26, the Republic Day, when the country will celebrate the coming into effect of India's Constitution in 1950.

To know more:

- M. Mashal and K. D. Singh, In the Cold and Rain, India's Farmers Press Their Stand Against Modi , The New York Times, 2021.
- M. Bhardwaj, Explainer: India's multi-billion dollar food programme is at the heart of farmers' protests, Reuters, 2020.
- S. De Roy, Will Increasing Minimum Support Price Cure Indian Agriculture? Engage, 2018.
- A. Gulati et al., Supporting Indian Farmers: Price Support or Direct Income/ Investment Support? Working Paper No. 357, Indian Council for Research on International Economic Relations (ICRIER) 2018.

Selection of past articles on hungerexplained.org related to the topic:

- Low agricultural prices, debt, farmer suicides, strikes and ban of purchases of cattle for slaughter: India's agricultural crisis, 2017.
- In India, a first "environmental referendum" saves the Dongria Kondh, 2014.
- India approves the largest ever food security programme, 2013.
- L'Inde laboratoire pour les initiatives luttant contre la pauvreté et l'insécurité alimentaire: le cas de SEWA, 2012 (in French only).

² BJP : Bharatiya Janata Party (Indian people's party).