Redesign the combine harvesters to cut the paddy straw from the plant's base to remove the stem. The straw can either be sold or used as mulch

tains the practice of stubble burning. What we need, instead, is a solution that is scientific, affordable and culturally adaptable.

The writer is president-CEO, International Forum for Environment, Sustainability and Technology

It's Advantage Vested Interest

Dhiraj Nayyar

A year ago, the passage of three farm laws was the most radical reform enacted by the Narendra Modi government, the most ambitious reform since 1991. Now, the repeal of those very laws is the biggest policy climbdown of India's first single-party majority government since 1989. For Modi's critics, this is a moment of schadenfreude. For India, it doesn't bode well. Narrow special interests, which have hobbled India's economic rise, continue to wield enough power to defeat a strong government and a popular PM.

Two sets of statistics sum up the key challenge for India's economy 30 years after economic liberalisation. One, over 40% of the workforce is still employed in agriculture producing just 14% of GDP. Two, the share of manufacturing in India's GDP has remained stagnant at about 15% for 30 years. In this oversized agriculture and undersized manufacturing lies the story of insufficient jobs, or at least an absence of enough good quality jobs. It also explains the failure to attain East Asian levels of growth and prosperity.

Two different sets of special (read: vested) interests have played a disproportionate part in perpetuating this weakness — large farmers and importers (of industrial goods). To be fair to this government, it has worked hard to counter both sets of vested interests in an effort to unshackle the economy. On one, it has surrendered. On the other, the jury is out. This climbdown may embolden other vested interests.

Often, special interest groups are themselves a product of policy. The large, relatively prosperous farmers of Punjab, Haryana and western Uttar Pradesh — and their associate middlemen — are a legacy of the Green Revolution. It is the generous hand of the State that lifted them to prosperity by providing high-yielding varieties of seeds, by investing in irrigation and by guaranteeing minimum support prices (MSP) for cereals like rice and wheat. That the lands of these farmers were naturally fertile was an added advantage.

Unfortunately, the majority of Indian farmers do not live or work in the Green Revolution belt. They do not make a good living out of farming. Too many are still dependent on rainfall, the local monopolist Agricultural Produce Marketing Committee (APMC) and no support prices. Because they are poor, they do not have the resources to organise and mobilise like the farmers of Punjab, Haryana and UP have. GoI tried to change policy to help the majority access larger markets and earn better prices, but the vocal minority has stalled it.

Realistically speaking, even radical farm reform would not enable agriculture to support 40% of the workforce. One only need note the example of Punjab, where there is a rush to emigrate to Canada and Britain in search of better livelihoods. The relative prosperity of those agricultural families enables investment in emigrating (it costs money). Other farmers do not have the option. They would seek alternatives within India.

In every country that has become prosperous, whether in the advanced West or in East Asia, surplus labour from agriculture has moved to manufacturing. The limitations of the services sector in absorbing labour from agriculture is apparent in India where, after three decades of very impressive growth, millions remain underemployed.

Pre-1991, it was protectionist special interests that prevented India from developing a competitive manufacturing sector. After 1991, the pendulum swung the other way. Aggressive tariff liberalisation created an importers' lobby that had an interest to maintain the status quo of an uncompetitive manufacturing sector.

India is a large market and the manufacturers of the world need to sell their merchandise in India. By implementing import liberalisation without reforming land, labour, banking, power tariffs and freight rates, India became a completely importing nation. In 2000, India's trade deficit with China, the world's pre-eminent manufacturer, was just $1 billion (₹7,431 crore). It grew 60 times in the next 15 years on account of manufactured goods.

GoI has tried to reverse this by reimposing moderate tariff protection, announcing incentives like production-linked incentives (PLI) for manufacturers in India, and by beginning to reform labour laws and clean up the banking mess. It has cut taxes and is also trying to divest inefficient public sector undertakings (PSUs). No doubt special interests will work to derail or delay this concerted attempt to build manufacturing capacity. But with farm laws in abeyance, it is only manufacturing that can help farmers.

India has always been proud of its agriculture and its large market. These must be harnessed as assets. Vested interests should not be allowed to turn India's strengths into its weaknesses.

The writer is chief economist, Vedanta

FARM LAWS REPEAL

After weighing the pros and cons

Outside This Field of Play

Nilanjan Banik

India has around 260 million people living in poverty, and 80% of them are small and marginal farmers (having less than 2 hectares of land), making up around 83% of all farmers in the country. Reform, or backtracking on reform, is unlikely to impact their livelihood. The segment likely to gain by farm law reforms is of big farmers, traders and middlemen — arhtiyas and village banias — associated with agricultural trade.

If farmers are to sell their produce, they have two options. The first is to sell directly to the government. GoI procures 24 essential food items through agencies such as the National Agricultural Cooperative Marketing Federation of India Ltd (Nafed) and Food Corporation of India (FCI). The second is for farmers to take their produce to the nearby government-designated mandi where in the presence of state officers, they can auction their produce to the middlemen.

Ideally, farmers should be able to sell all they want to Nafed or FCI collection centres at minimum support prices (MSP). Typically, MSP is higher than the market price, and one would think that farmers gain every time MSP is raised. However, farmers seldom get to sell their produce at MSP.

Every village does not have Nafed or FCI outlets. FCI currently procures a major portion of rice and wheat from a few select states. 70% of rice is procured from Punjab, Andhra Pradesh, Chhattisgarh and Uttar Pradesh, while 80% of wheat from Punjab, Haryana and Madhya Pradesh. Even if there is a Nafed or FCI outlet in or near the village, GoI may not purchase if farmers bring their produce before or after specified dates of procurement.

On many occasions, the government announces procurement dates a month or two *after* harvest time, making it impossible for small farmers to sell their produce at the MSP. To do so, they need to store their perishable stocks in cold storage, for which they need to book a minimum amount of 50,000 quintals for their produce, something next to impossible for marginal farmers. Nearly 20% of India's fresh produce is wasted because of storage problems.

Another option is for farmers to directly take their produce to the local mandi. But given that there are only 7,700 mandis against 660,000 villages, a farmer has to arrange for transport, which again may not be feasible given the distance and cost of booking a 400-quintal capacity truck all for himself.

An easier way out is to sell to village-level aggregators. In fact, in most instances, these marginal farmers are so debt-ridden that they are obliged to sell their produce to village moneylenders. Only 15% of marginal farmers have access to formal credit. Most of the time they depend on informal sources for buying seeds, fertilisers, etc. The cost difference for loan rates between the formal and informal sectors is 30-45% annually. Farm loan waivers, usually announced before elections, do little to help small farmers.

Even if a farmer wants to sell his produce on his own at mandis, his bargaining power is low. Under the Agricultural Produce Marketing Committee (APMC) Act, state government officers are meant to oversee activities related to auctioning — that commodities traded are homogenous in quality, that the markets are equipped with basic infrastructure for weighing goods, making payments, etc. In reality, however, these middlemen form a cartel, and at the time of auction offer a substantially lower price to farmers. Evidence from West Bengal, for instance, suggests that there are instances where income for these middlemen is higher than that of farmers.

When GoI amended the APMC Act, the argument was that it would allow farmers and middlemen to trade in markets in addition to already existing mandis regulated by state governments. If additional markets for trading were created, the bargaining power of middlemen was likely to fall. Some of these markets could also be e-mandis through which a farmer would be able to sell his produce in other states.

Evidence from Rajasthan suggests that e-markets have led to farmers witnessing a price premium of 13%. But bigger farmers and middlemen fear that even as GoI is assuring them MSP in the near term, in the future when these GoI-regulated e-markets become popular, mandis will lose their relevance. And if GoI allows corporates to operate in these markets, the bargaining power of the middlemen and farmers will fall further, especially in the absence of a competition policy. Small and marginal farmers do not form a part of this narrative.

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