



# A Critical study of the 2020 Farm Laws and their Subsequent Repeal

Ms. Vaishali Ramteke

Date of Submission: 03-08-2024

Date of Acceptance: 15-08-2024

## Abstract:

The Farm Laws passed in 2020 in India, praised by neoliberal market analysts, sparked widespread protests. These laws were seen as an extension of the 1991 economic reforms, promoting commodification and privatization in agriculture. Critics argued that the laws threatened small farmers by favoring large agri-businesses and undermining state rights, essential support systems like Minimum Support Price (MSP), and Agricultural Produce Market Committee (APMC) mandis. The protests reflected deeper issues in Indian federalism, as the central government's push for "One India, One Agriculture Market" was perceived as a move toward centralization, risking regional identities and economies, especially in Punjab. Despite the government's assurances, farmers feared the loss of economic security and land. The paper analyses why the farm laws enacted in 2020 met with such furious opposition and the main reasons why the farm laws were ultimately repealed.

**Keywords:** Farm laws, neo-liberal market, APMCs, MSP, essential commodities

## I. Introduction:

The Farm Laws passed in 2020 in India sparked widespread and intense protests nationwide. Neoliberal market analysts had praised these laws as a landmark moment, drawing comparisons to the 1991 economic reforms centred on liberalization, privatization, and globalization. To fully understand these laws and their amendments, they must be viewed within the broader context of commodification, where essential goods and services are appropriated, standardized, and traded at prices determined by the market. (Sankar, 2020)

The analysis of agrarian transitions in India has been pivotal in determining the country's path to socialism, particularly in the context of the rise of the Naxalite movement. In the 1970s, this movement challenged the mainstream Communist Party of India's analysis by advocating for the Chinese Maoist strategy of protracted people's war, starting from the countryside and moving towards urban

areas, as opposed to the Russian strategy that emphasized urban struggle and preparation for insurrection. This debate hinged on whether semi-feudal relations still dominated Indian agriculture or whether capitalism was emerging in rural areas, which would influence whether a Maoist agrarian revolution was necessary.

Since the 1970s, India has undergone significant shifts in the relationship between rural and urban areas, agriculture and industry, and within agriculture itself. Politically, the country has moved from state-led development to neoliberal economic regulation, becoming increasingly integrated into the global economy. (Lerche et al, 2013)

The different regions of India present distinct agrarian challenges that must be addressed with different political strategy. The present scenario demands the classic Marxist themes of the agrarian question, which involves the politics of class struggle and building alliances between urban labor and the rural poor to be viewed in a different angle as well.

The Farm Laws 2020 in India were passed in Parliament and received Presidential Assent on September 24, 2020. The three laws were:

- Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020: This law expanded the areas where farmers can trade their produce, allowing electronic trading and e-commerce. It also prohibited state governments from levying fees on farmers, traders, and electronic trading platforms for produce traded outside of Agricultural Produce Market Committee (APMC) mandis.

- Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020: This law aimed to provide a framework for contract farming, which could help farmers reduce marketing costs and improve their incomes. It simplified the contract farming provisions of various states by removing complicated registration and licensing requirements, deposits, and other compliances. The law also required that agreements specify the price of



farming produce, and for prices that may vary, it must also specify a guaranteed price and a reference for any additional amount above that.

- Essential Commodities (Amendment) Act, 2020: This law removed certain commodities, such as cereals, pulses, oilseeds, edible oils, onion, and potato, from the list of essential commodities.

### The Government's Perspective on the Farm Laws

The MSP system is politically sensitive and financially burdensome for the government, with some economists considering it one of the most expensive food procurement programs globally. India has around 7,000 APMC mandis where government agencies, including the Food Corporation of India (FCI), purchase crops. However, due to limited funds, the FCI primarily procures only paddy and wheat. These grains are then sold to Below Poverty Line (BPL) families through the Public Distribution System (PDS) at subsidized rates, resulting in losses for the FCI as part of welfare efforts.

As MSPs have consistently increased, the FCI faces higher procurement costs and greater losses since PDS rates remain stable. The growing volume of procurement leads to overflowing FCI godowns, and the rising MSPs make it challenging for the FCI to sell stocks profitably on the international market. The government compensates the FCI for its losses and occasionally sells foodgrains to other countries under agreements.

The escalating food bill under the MSP system adds pressure on the fiscal deficit, prompting successive governments to seek alternatives. Some states have opposed the farm laws because they lose revenue from fees on outside-mandi trade of farm produce, which can range from 1-2% to 8-9%. With limited revenue sources, these states rely heavily on the Centre, explaining their support for the farmers' protests, especially those governed by opposition parties.

These laws were being promoted as crucial and necessary reforms for overhauling agricultural marketing in India. A prominent government policy advisor described these laws as completing the reforms initiated in 1991, building upon the fragmented and inconsistent reforms previously implemented across various states (Chand, 2020). The government claimed these laws will address agrarian distress, boost farmers' incomes, create lucrative employment opportunities for rural youth, make Indian agriculture globally competitive, and transform the rural economy.

Among these laws, the Farmers Produce Trade and Commerce (Promotion and Facilitation)

Act, 2020 was particularly controversial. Government policymakers, along with pro-government and pro-agrobusiness economists, argued that this law enhances farmers' freedom by allowing them to sell their produce both within and outside the Agricultural Produce Market Committee (APMC) markets. This expansion of market access was expected to eliminate intermediaries in agricultural marketing. Additionally, it claimed that the law gives farmers the flexibility to sell directly from any location, including their own farms. The removal of state-imposed levies on traders in APMC-regulated markets was also expected to make markets more competitive, leading to better returns for farmers. Importantly, the government asserted that this law will not undermine the Minimum Support Price (MSP) and that the public procurement system (PPS) through APMC mandis will continue to operate (Iyer, 2020).

### Farmers' Apprehensions and Protests

Farmers in India have been grappling with increasing economic challenges, particularly as farming becomes less viable (Singh & Bhogal, 2014). In Punjab, a state once celebrated for its role in the Green Revolution, farming returns have been declining since the mid-1980s (Singh, 2008). Across India, this has led to an 'agrarian crisis,' characterized by farmer indebtedness, suicides, and a trend toward Depeasantization (Singh et al., 2014). The 2020 farming laws, introduced by the BJP government, were viewed by farmers and many scholars as a threat to rural India's socioeconomic stability (Business Standard, 2020). Critics argue these laws align with a neoliberal agenda to reduce government involvement in agricultural marketing, potentially dismantling key support systems like MSP, PPS, and APMC markets (Mandal, 2020). This intensified fears of exploitation by agrobusiness corporations, sparking widespread protests (Singh, 2021). Farmers demanded that the MSP be legally mandated, fearing that without it, private players might offer prices below the MSP, especially if public procurement agencies delay procurement (Singh & Bhogal, 2021). They believed the laws primarily aimed to attract corporate investment in agriculture, which could exacerbate power imbalances between large corporations and small farmers (Singh, 2020).

The farmers' protests against the laws highlighted two key changes in law and protest, along with their emerging dynamics and contradictions. The first change is the transfer of regulatory power and resistance from state governments to the central government. The second



change is the prominent role of farmers, rather than traders, in leading protests against market reforms and advocating for local, state-regulated markets. (Krishnamurthy, 2021)

The unusually wide support for the movement and the movement's unity was driven by the shared threat felt by different farmer groups, posed by the farm laws and, ultimately, by the government. The ongoing structural changes in Indian agriculture and the broader economy, which have worsened the situation for these groups also facilitated the formation of a broad alliance. (Lerche, 2021)

The farm laws weaken the federal rights of states by centralizing control over agriculture. (Singh, 2022) A critical look at the farm laws highlight the following issues:

#### **Centralization vs. Decentralization in Indian Federalism**

There is increasing centralization of power in the Indian government's approach to agriculture, which traditionally has been under state jurisdiction. The new farm laws, passed in 2020, were seen as an extension of the BJP government's agenda to centralize economic control, particularly in agriculture, and promote agri-business capitalism. This centralization is seen as a threat to the federal structure of India, where states have constitutionally protected rights over agriculture. The slogan "One India, One Agriculture Market" reflected this push for centralization.

#### **Farmers' Protests and Resistance**

The massive protests that erupted in response to these farm laws, were described as the largest and most peaceful in history. Farmers feared that the laws will lead to the dominance of large agri-business corporations, undermining small and medium-scale farmers, and eventually force them to sell their lands. The absence of a provision for Minimum Support Price (MSP) in the laws was a significant concern, as it threatened the economic security of farmers, especially those in Punjab and Haryana, the two major food-producing states.

#### **Impact on Regional Identities**

Punjab, with its significant agricultural sector, was particularly vulnerable to these laws. The state's economy and identity are deeply tied to agriculture, and the centralization of agricultural control is seen as an attack on both its economic stability and cultural identity.

Despite the government's slogan of 'one nation one market,' agricultural markets for key

crops like wheat and paddy are already well integrated, and farmers can sell to anyone, though not without challenges (Praveen & Inbasekar, 2015). The laws were, in fact, creating a 'one nation two market' system by encouraging private mandis alongside public APMC mandis, with the former operating outside APMC regulations and free from taxes (Singh & Bhogal, 2021b). This uneven competition could have led to a decline in business for APMC mandis, threatening their existence and the state revenue they generate, which is vital for infrastructure development, as seen in Punjab (Punjabi Tribune, 2020). The government insisted that public procurement and APMC mandis will coexist with private ones (Guru, 2020), but evidence from Madhya Pradesh showed a significant drop in business for public mandis, raising doubts about this claim (Kakvi, 2020). The push towards 'free markets' in agriculture, similar to those for industrial goods, is flawed due to the unique nature of agricultural products, which are perishable, bulky, and subject to natural uncertainties (CRISIL, 2017). The gradual reduction of government involvement in agricultural markets has already had negative impacts, as seen in Bihar, where the abolition of APMC mandis in 2006 led to a decline in farmers' real income (Singh et al., 2021b). The reforms also did not address the critical issues of inadequate MSP and ineffective Public Procurement System; instead, they created a policy environment that may eventually render the MSP system irrelevant (Singh & Bhogal, 2021b).

#### **Repealing of laws;**

The passage and repeal of the laws highlight the lack of regard for parliamentary procedure and public consultation, suggesting that similar problems may arise again in the future (Kapoor, 2022). If the legislation had undergone standard parliamentary procedures, including committee review, it could have resulted in a better law and reduced opposition.

The government's decision to repeal the farm laws and its timing highlights several key factors. First, the impending elections in states like Punjab and Uttar Pradesh in early 2022 played a significant role. These states were central to the farmers' protests, threatening the BJP's electoral prospects, particularly in Punjab. The BJP, which had severed ties with the Shiromani Akali Dal, saw an opportunity to ally with Akali Dal, which would have been impossible with the farm laws intact. The 2024 general elections also influenced the decision, as the perception that the BJP was anti-farmer had spread beyond northern India. The farm laws' repeal,



underscores the challenges of agricultural reform in India, where entrenched interests make policy changes difficult. Farmers' movements have historically instilled fear in policymakers, as seen in Indira Gandhi's reversal on fertilizer subsidies in the 1980s. (Sen and Maiorano, 2021)

## II. Conclusion:

In conclusion, the farm laws struggle is significant for exploited and oppressed groups, as well as for capitalist farmers, due to its potential to challenge the current government's political oppression beyond just the agricultural sector. However, there is little indication that the unity will endure beyond the farm laws struggle, as the alliance is fragmented by internal exploitation and oppression along lines of class, caste, ethnicity, and gender. (Lerche, 2021)

The farm laws represent a significant challenge to India's federal structure and the rights of states. The resistance from farmers, state governments, and regional identities highlights the need for a more decentralized and democratic approach to agriculture, one that protects the rights of states and small farmers. Farm laws are important as they significantly impact federalism, farmers, and regional identities. The importance of protecting agriculture as a state subject within Indian federalism and resisting the influence of agribusiness capitalism to ensure the economic, social, and cultural well-being of the country has to be underscored.

Singh(2022) introduces the concept of eco-socialism as a critical alternative to both the capitalist and traditional socialist approaches to agriculture. Eco-socialism emphasizes small-scale, cooperative farming and ecological sustainability, opposing the large-scale agri-business model that the farm laws promote. This vision is presented as a more just and sustainable approach to agriculture, one that respects local farming traditions and the environment.

## References:

- [1]. Lerche, J., Shah, A., & Harriss-White, B. (2013). Introduction: Agrarian Questions and Left Politics in India. *Journal of Agrarian Change*, 13(3), 337-350.
- [2]. Sankar, V. (2020). The Commodification of Food, Farming and Farmers: A Critical Review of Farm Laws, 2020. *Space and Culture, India*, 8(3), 18-26. <https://doi.org/10.20896/saci.v8i3.1117>
- [3]. Lerche, J. (2021). The farm laws struggle 2020–2021: class-caste alliances and bypassed agrarian transition in neoliberal India. *The Journal of Peasant Studies*, 48(7), 1380-1396.
- [4]. Krishnamurthy, M. (2021). Agricultural market law, regulation and resistance: A reflection on India's new 'farm laws' and farmers' protests. *The Journal of Peasant Studies*, 48(7), 1409-1418.
- [5]. Singh, P. (2022). Farm Laws, Federalism and Farm Protests: India and Punjab. *Journal of Sikh & Punjab Studies*, 29.
- [6]. Singh, P., & Bhogal, S. (2021). Interrogating the MSP regime, farm laws and agrarian future in India. *Millennial Asia*, 12(3), 332-349.
- [7]. <https://www.isas.nus.edu.sg/papers/why-the-farm-laws-were-scrapped-political-compulsions-and-more/>
- [8]. Mandal M. (2020). Weakening mandi to rising inequality: Here's why new laws worry farmers. *Business Standard*. [https://www.business-standard.com/article/current-affairs/weakening-mandis-to-rising-inequality-here-s-why-new-laws-worry-farmers-120120400177\\_1.html](https://www.business-standard.com/article/current-affairs/weakening-mandis-to-rising-inequality-here-s-why-new-laws-worry-farmers-120120400177_1.html)
- [9]. Mandal M. (2020). India's uninspiring record of deregulating farming could explain why many are worried about new laws. *Scroll.in*. <https://scroll.in/article/980171/india-as-uninspiring-record-of-deregulating-farming-can-explain-why-many-are-worried-about-new-laws>
- [10]. Praveen K. V., & Inbasekar K. (2015). Integration of agricultural commodity markets in India. *International Journal of Social Sciences*, 4(1), 51–56.
- [11]. Singh P., & Bhogal S. (2021). Misunderstanding the MSP: A properly thought-out resolution requires the untangling of many aspects of farm laws. *The Indian Express*. <https://indianexpress.com/article/opinion/columns/farm-laws-protests-farmers-govt-talks-msp-apmc-mandi-7137463/>
- [12]. <https://thediplomat.com/2022/01/the-problem-with-modis-repeal-of-indias-farm-laws/>
- [13]. <https://www.indiatoday.in/india/story/three-farm-laws-to-be-rolled-back-what-were-they-all-about-1878746-2021-11-19>