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Report Name: India Farmer Demonstrations Continue Against Historic Agricultural Market Reforms

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Prepared By: Dr. Santosh K. Singh, Senior Agricultural Specialist; Mark A. Rosmann, Agricultural Attaché; Lazaro Sandoval, Senior Agricultural Attaché; and Mariano J. Beillard, Senior Regional Agricultural Attaché

Approved By: Mariano Beillard, Senior Regional Agricultural Attaché

Report Highlights:

Commencing November 26, 2020, thousands of protestors from the northern Indian states of Punjab, Haryana, and western Uttar Pradesh have protested on the outskirts of the Delhi national capital region. Led by an array of farmer groups under the label of a United Farmers' Front (Samyukta Kisan Morcha), protestors are demonstrating against three farm laws (bills) passed by the Rajya Sabha (upper house) on September 20, 2020. The Government of India (GOI) has defended the farm legislations, claiming the reforms will transform Indian agriculture and attract private investment. Many agricultural stakeholders reportedly welcome the reforms, which may fundamentally restructure India's agriculture market systems. However, farmer agitations against the new farm laws have intensified in certain regions and have garnered international attention.

GENERAL INFORMATION:

The three agricultural reforms (particularly the Farmers' Produce Trade and Commerce Act) passed by the Rajya Sabha (upper house) in September 2020 intend to give farmers autonomy to set prices and sell direct to the private sector outside the regulated market yards free of market fees or taxes (see, GAIN: [INDIA -IN2020-0136 – Government of India Passes Agriculture Market Reforms as Opposition and Regional Parties Protest](#)).

The Modi administration's reforms reportedly are among the most audacious economic transformations since demonetization in 2016 and the implementation of the Goods and Services Tax (GST) in 2017. Opposition to these laws is led by a collection of farmer groups from the northern states of Punjab, Haryana, and Rajasthan - who are protesting under the banner of a United Farmers' Front (Samyukta Kisan Morcha). They fear that the new rules could result in corporate exploitation with the reduction or elimination of the government's minimum support program (MSP) regime.

Farm Market Restructuring Concerns

Many of the demonstrations have occurred in Punjab, Haryana, and western Uttar Pradesh, states largely responsible for the majority of India's cereal production (mainly wheat and rice), as well as cotton and sugarcane. Northern Indian farmers supply 95 percent of their surplus rice and wheat production to the MSP regime compared to the 10 percent national average. Punjab and Haryana farmers annually receive about \$10.9 billion in MSP; and see it as a critical funding source for smallholder producers (85 percent of farmers nationwide hold less than one hectare of land). Traditionally, the minimum support program has been a key revenue source for local and state governments, as well as for intermediaries operating in the regulated market yards also known as Agricultural Produce Marketing Committees (APMC).

Protestors reportedly fear that the farm laws will allow the private sector to buy products lower than the fixed MSP prices, tie farmers to unfair contracts, and let companies stockpile commodities, which would create large monopolies that will make the MSP redundant. Further, the Punjab and Rajasthan state governments, both led by the opposition Congress Party, have each passed counter-legislation seeking to mandate the MSP and tax any trades outside government markets. The Modi administration has given assurances that the Government of India (GOI) will not remove the MSP; it has even raised the minimum prices paid for six *rabi* (winter sown, spring harvested) crops in September 2020, in response to initial protests on the farm laws.¹

Protest Intensification

Despite acceptance of the reforms in many parts of the country, the Congress Party, along with other opposition parties has sought to invalidate key parts of the agricultural reforms. Further, trade unions and producer organizations have organized to take protests to major cities, including the Delhi national capital region and Mumbai to demand the repeal of the farm bills (see, [Times of India](#)). This abrupt swell in rallies and demonstrations have gained international attention, as thousands of protestors block highways and disrupt traffic and daily life throughout parts of the country. Many of the demonstrations have become semi-permanent settlements with many of the protestors determined to endure a long-term impasse (see, [Bloomberg](#)).

¹ Source: [Bloomberg Quint](#), September 21, 2020.

Government Initiates Dialogue

On December 1 and 4, 2020, protest leaders met with Agriculture Minister Narendra Tomar and other State Ministers, and subsequently on December 7 with Home Minister Amit Shah, but outcomes remain uncertain. According to press reports, the government has been “Open to look into various amendments, [and] open to the idea of imposing taxes on the new wholesale markets to keep a level playing field.”² Nonetheless, many farm leaders continue calling for a full repeal of the three farm bills.

Following the initial rounds of talks, on December 8, protesters and farm union leaders called a nationwide “*Bharat Bandh*” (India Shutdown) that was largely peaceful but blocked most of the Delhi region’s transportation entry points (see, [BBC](#)). *Bharat Bandh* demonstrations also occurred in the states of Maharashtra, Gujarat, Chhattisgarh, and Goa, led by local opposition leaders. However, these demonstrations were minor and limited in comparison, suggesting that outside of Punjab, Haryana, and Uttar Pradesh, these agricultural reforms may have wider acceptance.

Along with the *Bharat Bandh*, demonstrations have reached other parts of the world, including the United States.³ On December 9, protest leaders rejected the government’s proposal suggesting amendments in the new laws to address various concerns, and instead promised to intensify demonstrations. On December 14, farmer leaders, who had attended government negotiations, went on a hunger strike at a key protest site on the Haryana-Delhi border, as a part of the farmers’ plan to intensify agitation.

Support for the Farm Bills

Local press reports indicate that the Government of India is unlikely to withdraw its flagship agriculture market reforms. Prime Minister Modi has criticized the opposition for misleading farmers and is defending his farm laws as “historic.” Many state governments and local farmers welcome the farm bills, including the All India Kisan Sangarsh Coordination Committee (see, [GOI Press Release](#)) which represents 250 farmer organizations, as well as various agricultural economists and agribusinesses. Additionally, the states of Madhya Pradesh and Gujarat have supported the farm laws and have quickly implemented them. Media reports in Maharashtra indicate that farmers are benefitting from the reforms, invoking its laws to recover unaccounted payments from traders.

The Government of India is issuing clarifications on social media and to the local press to refute claims that the reforms will result in farmer exploitation. Nevertheless, the challenges that the farm laws face, according to Dr. Ashok Gulati of the Indian Council for Research on International Economic Relations (ICRIER), is that a “communication gap has been fully exploited by some...to create a fear psychosis among the farmers.”⁴

² Source Reuters: [India Considers Changing New Farm Laws After Mass Protests](#), December 4, 2020.

³ For instance, on [December 6](#), Sikh activists protested on the San Francisco Bay bridge, disrupting traffic for hours.

⁴ Source: [OpIndia](#), December 8, 2020. A prominent agricultural economist in India, Dr. Gulati also wrote that the “economic rationale of these pieces of legislation is to provide greater choice and freedom to farmers to sell their produce and to buyers to buy and store, thereby creating competition in agricultural marketing. This competition is expected to help build more efficient value chains in agriculture by reducing marketing costs, enabling better price discovery, improving price [realization] for farmers and, at the same time, reducing the price paid by consumers.” (See, [The Indian Express](#), September 28, 2020).

What Comes Next?

As of December 15, six rounds of talks between the government and opposition parties have been inconclusive. Opposition parties and farm leaders reiterate claims that the Modi administration aggressively pushed the three farm laws in hearings, largely excluding farmers and the opposition from discussion. The government contends that the farm reforms are in the best interests of India's farmers and that it is willing to continue talks but will not repeal the laws.

Reportedly both parties remain far apart in agreeing to a mutual beneficial solution, and protestors are expanding their demands of the government to include protection for subsidized electricity and protection from punishment for burning farm field stubble (a key source of air pollution). Despite strong economic arguments and support from various agricultural stakeholders, the number of protestors at Delhi's borders has grown daily fueling the potential for a protracted stalemate.

Attachments:

No Attachments