Peasant mobilizations against backdrop of agrarian crisis

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The agricultural laws proposed in 2020 by India’s Bharatiya Janata Party (BJP) government – the Farmers’ Produce Trade and Commerce (Promotion and Facilitation) Act, the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, and the Essential Commodities (Amendment) Act – have led to a series of events: the resignation of a cabinet minister in September 2020, peasant suicides, and national protests by various farmers’ organizations since November. The largest protest rallies have taken place around Delhi. In the months following the start of their protest, the farmers, mainly from the Indian states of Punjab and Haryana, but also from Uttar Pradesh, Rajasthan, and Gujarat, camped around the city, ready to stay there for months until their demands were met.

A protest march in Delhi on 26 January, 2021, Indian Republic day, took a militant turn. Farmers stormed the historic Red Fort monument and police responded with tear gas and batons. Riot police and paramilitary groups descended in force into the camps and tried to quell the protests, installing concrete fences, spikes, and barbed wire around the camps. But this response only fuelled the determination of the farmers, and later the Delhi police partially withdrew their police officers. Since then, the government has tried to intensify its rhetoric against the farmers, accusing them of being infiltrated by foreigners and professional protesters, but this has not reduced the determination of the protesters one iota. The current peasant struggle in India is the largest mass mobilization in decades and represents the biggest challenge for the Modi government since coming to power. The protest movement by Indian peasants, who make up more than 50% of the working population, was the most sustained and was also the first movement to bring the ruling Bharatiya Janata Party, known for stifling civil dissent, to the negotiating table.

The three laws

It is perhaps important to remember that the timing of the new laws, which the government believes represent reforms which will help farmers reap long-term benefits, was perhaps not the most appropriate. Finance Minister Nirmala Sitharaman announced the government's intention to move forward with the new laws at a press conference on 15 May, 2020, while Covid-19 lockdown was still in effect, as part of the $300 billion fiscal stimulus package to help the economy, which was suffering the effects of the pandemic.

What the agricultural sector (and all other sectors for that matter) needed was measures to provide immediate relief that would help it through the period of government-imposed or self-imposed restrictions because of the nature of the virus, which it was clear at the time would last for several months.

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act allows farmers to sell their products outside the *mandis* (markets) of the Agricultural Produce Market Committee (APMC) without paying taxes. The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act allows farmers to sell their future products to agri-food companies at a predetermined price, and the Essential Commodities (Amendment) Act eases the centre's control over the production and sale of agricultural products.

The Indian government wants us to believe that these laws are a decisive moment for Indian agriculture because they free farmers from the influence of intermediaries. But farmers' organizations see it as a measure that increases the level of participation of private companies. There are two concerns about the laws. First, their content is seen as a threat to small and marginal farmers. Second, the haste with which they were passed in parliament is seen as a threat by states and regional parties. Let's examine why the laws have met with strong opposition from farmers' associations, opposition political parties and state governments:

The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act allows trade in agricultural products outside the *mandis* regulated by the APMC for the first time. Private *mandis* can be set up throughout the country, where anyone can buy products from farmers. The licenses purchasers must have in the APMC are no longer required. These *mandis* are also exempt from payment of any tax or levy.

The government says the measure is intended to give farmers more choice as to who to sell their products to. Economics tells us that more buyers means a better price for the seller. But the real world is a little more complex than the typical economics class. Farmers do not like this change. They say that instead of offering them more choice, and therefore a better price, it will leave them at the mercy of a few private actors who will organize themselves into cartels and thus set the price. According to them, this will happen because the APMC *mandi* will continue to be subject to taxes and regulations, which will deter merchants from buying in this *mandi* and pave the way for the dismantling of the APMC structure.

The fear is that farmers with weak bargaining power will be forced to sell outside the *mandi* in an unregulated trading area, where relatively more powerful buyers are able to dictate prices, which will turn farmers from “price makers” in theory into “price takers” in reality.

In the face of protests from farmers, the Indian government submitted a proposal on 9 December 2020. It stated that he was prepared to amend the law so that state governments could design mechanisms for registering *mandis*. The government also stated that it could leave it to state governments to impose a tax or tariff on private *mandis* at the rate applicable to APMC *mandis*. This proposal was vehemently rejected by the farmers, who said that they would be content with nothing less than the repeal of the law.

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act establishes a national legislative framework to allow contract farming, where an agreement can be reached between the farmer and the buyer before sowing, under which the farmer agrees to sell their product to the buyer at a predetermined price. The government argues this measure will help eliminate some revenue uncertainties by providing a buyer’s insurance at a predetermined price prior to sowing.

Opposition to this measure stems from past experiences of contract farming in India, which have not always been beneficial to farmers. According to reports, contract farming in some parts of Maharashtra has made “participating households vulnerable to debt and loss of autonomy over land and livelihood decisions.” It only reinforced existing models of inequality, as the contracting company had relatively more power than the peasant.

This is also due to the fact that contract farming in India involves numerous wrongs done to farmers, notably unilateral contractual agreements (in favour of the contracting agency), late payments, unjustified rejections based on quality and outright cheating, not to mention the misapplication of contract farming provisions by the state government.

It is therefore the fact that farmers have never had the chance to benefit from contract farming that makes them fearful. They are also concerned that contract farming will allow big companies to seize their land, as the law does not provide adequate redress mechanisms for farmers.

Under this law, farmers can enter into a contract with agri-food companies, private companies and wholesalers for the sale of future products at a predetermined price. As farmers lack the resources and capital to negotiate on an equal footing with buyers, this bill will benefit large corporations more than farmers. In addition, companies will enter into contract farming agreements not only for food grains, but also for horticulture, floriculture, and a variety of other products, including cash crops, which they will sell not only on the domestic market, but also for export. One of the consequences of these contract farming agreements would be that they would lead, in due course, to a transfer of lands devoted to the production of food cereals to non-food crops. This shift in the area of food grain production to non-food and export-oriented crops could ultimately jeopardize the country's food security. In addition, issues related to informal contractual agreements on sharecropping and leasing are not addressed in the law.

The Essential Commodities (Amendment) Act is another law that is considered to benefit large companies. It purports to remove arbitrary and periodic storage limits on basic agricultural products that the government imposed on traders.

Instead of arbitrary triggers, the new law introduces price triggers that will only be used in "exceptional circumstances". Storage limits can now only be imposed when prices for perishables increase by more than 100% and non-perishable food prices by more than 50% over the past year. According to an earlier report, these limits have been breached 69 times in total over the past ten years, contrary to the idea of the reform. More recently, stock limits were imposed just one month after the legislation was passed, when the price of onions began to rise as every season. Under the new law, the price should have increased by more than 100%, which was true for only one of the four major metropolises, but stock limits were imposed across the country in order to keep the price of onions low for consumers.

This law relaxes the production, storage, movement, and sale of agricultural products, except in the case of extraordinary situations. This removes limits on the amount of food grain that can be stored, allowing large traders to hold large amounts of inventory. Removing stock limits and facilitating wholesale purchase and storage by amending the Essential Products Act could attract large companies to the sector and lead to new investments. But it could also lead to the hoarding of large quantities of crops, creating an artificial shortage, to sell them later at higher prices.

The question of the minimum price

At the heart of these protests is an issue that is not explicitly mentioned in the three new laws. This is the issue of the Minimum Support Price (MSP) which is announced for 23 crops. In reality, however, large and sustained purchases concern only wheat and paddy in Punjab and Haryana. [1]

Farmers fear that with the three new laws, the government is signalling that it is moving away from current MSP supply models. This fear is the product of multiple factors. It was suggested that the food subsidy bill be reduced. Economists have argued that the MSP regime as it exists today is not sustainable. And also, or perhaps more importantly, farmers simply do not trust the government after a series of broken promises over the past six years. They are therefore concerned that the government will lay the groundwork for its withdrawal of support for the MSP by allowing the dismantling of the APMC through the “APMC circumvention law”.

They want the government to pass new legislation that treats the MSP as a legal right. The Punjab assembly has already passed such a law, but it still needs the president’s assent. Even if assent is obtained, how the law will be implemented remains uncertain.

A demand for such legislation dates back to 2018, when peasant unrest spread far across the country – the long march of peasants in Mumbai, the protest march to the parliament in Delhi. In August 2018, for the first time, a law to this effect was brought to parliament by Raju Shetty, but this bill was not discussed in Parliament. It was drafted by the All India Kisan Sangharsh Coordination Committee (AIKSCC), a coordination structure comprising several hundred peasant organizations from across the country, which was formed after the Mandsaur unrest in 2017, and which continues to be in the forefront of the current agitation.

After 2018, the peasant protests died out and are now re-emerging. The demand to make the MSP a legal right is again on the table and farmers’ leaders have said that the protests will not end until this demand is met. Another demand that is coming back to the table is to fix the MSP at cost plus 50%, as recommended by the Swaminathan Commission in 2007. Prior to 2014, the BJP promised to implement this measure as soon as it took office.

Since 2018, the BJP has said it has kept that promise. But that is not true. The Centre stated that it will provide “written assurance” that the existing procurement mechanism will be maintained. It did not specify what form this written assurance will take. Nor did it address the issue of setting the MSP in accordance with the recommendations of the Swaminathan Commission.

Also causing controversy is the proposed change in electricity legislation. Farmers in several states currently benefit from subsidized electricity tariffs, where they pay a fraction of the total tariff they consume. Governments of the respective states pay the balance to distribution companies (DISCOM). Payment is often delayed. This situation, along with other factors, has led to a situation where DISCOM balance sheets are distorted. The main feature of the new bill that irritates farmers is that it changes the way the subsidy is paid – farmers will have to pay the full electricity costs to DISCOM. The state government will transfer a subsidy amount to farmers' bank accounts, moving to a mechanism for direct transfer of profits. Again, farmers are not convinced that the mechanism will work as planned and are concerned that the transfer will not be enough to cover the increase in their electricity costs. The government has said that the bill, which is still under consideration, could be amended to ensure that there is no change in the way farmers pay their invoices.

The agrarian crisis

The current mobilizations of the Indian peasantry against the three new agricultural laws and the MSP are only the tip of the iceberg. Rather, it is a real explosion against the gradual erosion of their lives and livelihoods as a result of the severe agrarian crisis that the country has been facing for three decades. A simple number could be enough to explain the scale of this crisis. In just over a quarter of a century, 400,000 peasants committed suicide due to heavy debt. Moreover, the number of suicides does not reflect the magnitude of the problems, because entire categories of peasants are not on the official list because they do not have land titles – mainly women, Dalits, and indigenous peoples.

A study conducted by the Institute of Applied Manpower Research (New Delhi) revealed several facts about conditions in the agricultural sector. During the ten-year rule of the United Progressive Alliance (UPA) government (2004-2014), some 15 million workers, including peasants, became unemployed or left the agricultural sector to become casual/informal workers. India, the world's fourth largest economy, has not been able to achieve significant growth in the non-agricultural sector or create the jobs needed to absorb the surplus population of the agricultural sector. The study also noted that 15 million workers have moved from agriculture to manufacturing and services, resulting in a decline in the share of agriculture in total employment from 57% to 53% over the 2005-2010 period, while some 18 million additional workers were employed as casual or contract workers in the construction sector, as the government invested heavily in infrastructure development. Out of a total of 44 million construction workers in India, 42 million (nearly 95%) are informal workers with no social security. Thus, the growth of the construction sector is accompanied by an increasingly precarious and casualised workforce, mostly originating from the agricultural sector.

The construction sector has seen a phenomenal increase in the number of jobs, from 16 million to 50 million, at a rate of 17% per year. In rural areas, construction site employment increased from about 9.4 million in 1999-2000 to 37.2 million in 2011-12, up almost 300% over a 13-year period. This suggests that construction projects provided the second largest employment opportunity in rural areas after agriculture. However, this is by no means a ripple effect of the construction boom in urban India. Rather, it is the public works of the central government under the Employment Guarantee Act or MGNREGA that account for most of the growth in construction work in rural areas. [2] The other aspect of growth is that real wages have increased by 61%; however, price inflation has tended to offset wage increases.

The period between 1997 and 2009 saw suicides of peasants on a scale that India has never experienced in the last century. In the states of Andhra Pradesh, Chhattisgarh, Karnataka, Madhya Pradesh, and Maharashtra (five states), there were 240,000 peasant suicides during this period. Combined with the 2010-11 figures, the total number of peasant suicides was 256,000 over the 13-year period. But the first seven years accounted for 53% of these deaths, while in the remaining six years, 118,000 suicides occurred. This means that in the second half of this period, no less than 17,200 peasants committed suicide each year. In Maharashtra state alone, between 2001 and 2010, 47,670 peasant suicides were recorded, three times more than in West Bengal. However, state governments and the central government have been insensitive to the problem of victims' families. The Minister of Agriculture at the time, Sharad Pawar, did not visit the families of the victims as a gesture of sympathy and did not even make a public statement on the suicides. The most affected area was the Vidarbha region, the largest cotton growing area in Maharashtra State. In 2006, the Indian Prime Minister visited Yawatmal district, Vidarbha region, where the highest number of peasant suicides was reported.

It is then perfectly legitimate to raise a question: which side is the state on? Does the state protect the interests of peasants and their families affected by suicides, or is it on the side of the usurious lenders and corrupt officials (who are often in league with local politicians), banks and credit unions that force peasants to commit suicide? In a shocking case of the suicide of a peasant in the Buldhana district of Maharashtr's Vidarbha region, the family concerned filed a complaint against the money lender who had charged an excessive interest rate and committed a fraud that had forced the peasant to commit suicide. However, the Chief Minister at the time, Vilasrao Deshmukh, prevented the police from recording a First Information Report in such a criminal case against the lender who happened to be the father of a member of the then-Congress legislature. [3] But when the case was prosecuted by the victim's family, the former chief minister was censored by the Supreme Court for his statements and action to prevent the arrest of the usurer concerned. After this censorship, Deshmukh was transferred to the rural development portfolio during a cabinet reshuffle at the centre.

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Contract farming or debt bondage?

An important study entitled "Effects of contract farming practices on the peasants in general, and their effectiveness in bringing about equity in Hoshiarpur region of Punjab" highlighted the fact that a multinational, PepsiCo – involved in contract farming – and a large cooperative such as the Marketing Federation (Markfed) sought to maximize their profits by imposing certain operating conditions on farmers in the draft contract, leaving very little bargaining space for farmers to price agricultural products. Similarly, farmers do not have the right to decide the terms and conditions of the contractual document they sign. The contractual agreement between PepsiCo/Markfed and the peasants preserved the interests of the companies but did not protect the rights and interests of the peasants.

This empirical study focused on farmers in Punjab and Haryana who had contracted with companies to grow Basmati tomatoes, potatoes, and rice. Farmers were required to sell their products only to their respective contracting companies – PepsiCo and Markfed – which were allowed to penalize farmers who did not comply with the contract. From the germination stage of seeds and tender plants, the harvest was considered the exclusive property of the contracting company; in the event of a loss or crop, the companies could terminate the contract unilaterally; the farmers could then sell their products on the open market.

When the entire Basmati crop failed in 2006 because of infested seeds provided by Markfed, the risk of the contract was not shared by the companies. In the same year, a complete tomato project had to be abandoned because the contract did not provide for any risk sharing. Over the years, the enormous increase in the cost of seeds, fertilizers and pesticides has increased the financial burden, misfortunes and miseries of contract farmers. In addition, contracting firms have delayed payment of purchases in the past, compounding the livelihood difficulties of smallholders.

Contract farming companies often used intermediate traders (particularly for export and import), which did not change the existing marketing system, and the real producer was at the end of the line. The most important finding of the study of contract farming in Punjab is that it has encouraged the rental practices of farmland owners. For example, non-resident Indians who owned land or those who were present but could not manage self-cultivation, as well as those who owned small farms but could not compete with large businesses, were tempted to lease their farmland to wealthy peasants. Thus, contract farming has led to “reverse renting” (i.e., small farmers lease their land to wealthy peasants who become de facto tenants of smallholders); such a practice eventually led to irreversible dispossession of small owners (i.e. “depeasantisation”). For example, Punjab’s experience with contract farming has shown that:

Contract farming denies equal opportunities to different classes of peasants;
The gap between rich and poor peasants is widening further;
rich farmers also have to deal with asymmetrical relations with contracting companies.

As well as contract farming, free trade agreements (FTAs) have been damaging for Indian agricultural producers. When the Indian economy became part of the global market following the introduction of neoliberal economic reforms in the 1990s, India's trade policy shifted considerably towards bilateral trade. The main change is noticeable in India's growing commitment to FTAs in relation to unilateral trade liberalization by the WTO. The FTA between two or more partners has now become a more effective tool for promoting trade liberalization. This change has had a significant impact on the Indian agricultural sector. While the Indian government has been more aggressive in liberalizing trade in other sectors, it has been more cautious about its involvement in agricultural trade, albeit ironically by reducing tariff rates (especially on imports), and because the majority of small and marginal farmers, who do not receive remunerative prices, face competition from imported products sold at reasonable rates due to reduced tariffs. As a result, a significant portion of the agricultural labour force lives below the poverty line, as reduced import duties have lowered wages. Paradoxically, India has achieved the food self-sufficiency necessary to ensure the food security of the poor and marginalized groups, but it is an exporter of food grains, which does not provide any substantial benefit to agricultural producers, while cheap and imported raw materials are supplied to domestic industries.

Another example of the decline in the credibility of the Indian state is that it cancelled loans to farmers amounting to Rs 23.76 billion in 2009-10. However, the government rarely mentions that it cancelled Rs 8 billion in loans to industries during the same period, and that the total amount of industrial loans cancelled in 15 years (1995-2010) amounts to 5,700 billion rupees. It is ironic that the rules of the Indian government on behalf of rural populations, seeking legitimacy mainly from the rural electorate, sacrifice their interests on the altar of industrial groups and commercial societies that generously give electoral funds to the political class!

It is true that India’s nationalized banks are instructed to ensure that at least half of their loans are made to the agricultural sector. However, the procedures for processing and approving loan applications, as well as the actual disbursement of loans, remain a mystery. The National Capital Region (NCR) – Delhi, a metropolitan megalopolis – is a concrete jungle where agriculture is least present. However, according to data published by the National Bank for Agriculture and Rural Development (NABARD), Delhi has more farmers than Madhya Pradesh, Uttar Pradesh, Karnataka, and West Bengal. Delhi’s “farmers” received Rs 220.77 billion in agricultural loans in 2009 at an interest rate of only 5%, while in most other states banks have an annual interest rate of between 9% and 13% on agricultural loans. The amount of loans disbursed in Delhi was the second highest in the country, with the exception of Punjab, where farmers received Rs 270 billion in loans in the same year. Even farmers in Uttar Pradesh (210 billion rupees), Madhya Pradesh (134.3 billion rupees) and Haryana (149.15 billion rupees) received much lower total loan amounts, while the number of farmers in these states far exceeds that of Delhi.

The high level of disbursement of agricultural loans in Delhi is inexplicable as the NCR has only 39,000 hectares of agricultural land. However, records show that only 26,785 ha cover the net area cultivated in the Delhi NCR. The available figures therefore suggest that NABARD has granted loans to farmers in the Delhi metropolitan area worth Rs 8.06 million per hectare. However, NABARD has provided agricultural credits for the purchase of inputs such as fertilizers and new seed varieties, for the installation of wells or drip irrigation systems for horticulture, aquaculture, floriculture, and sericulture, as well as for the purchase of agricultural equipment. Farm owners, who appear in elitist Delhi posing as "peasants", have often obtained loans at lower rates, which is the worst scam in Delhi, as some of them have obtained loans through Kisan credit cards.

It should be noted here that discriminatory interest rates are applied to farmers seeking agricultural loans, at a rate of 9% to 13% interest per year. On the contrary, luxury goods, such as imported cars, can be purchased by obtaining a bank loan at an interest rate of only 7%. In the poor region of Marathwada Maharashtra, loans were granted for the purchase of 146 Mercedes cars, at a cost of Rs 0.63 billion, including 0.42 billion rupees from nationalized banks, in particular the State Bank of India.

A lesson for workers

The way in which more than 40 agricultural unions and other organizations have worked together is a lesson for workers' union federations. Because the new laws represent a death sentence for them, which should be enough to encourage them to act. Here, one-day ritual strikes throughout India, while useful, are not the answer. What is needed are large-scale strikes every few days in different industrial sectors and states. In this way, the economic burden of the strikers is reduced since these actions are not continuous but spread over time and among different sections and occur in different places and regions.

Today we have the opportunity to forge with the peasants the kind of unity of struggle that can inflict the most powerful blow ever on Modi's neoliberal project. We can only hope that it will be seized. Even if this opportunity is lost and the result is a compromise but not a total repeal of the laws, politically things will not be the same. There has been a more lasting breach in the popularity of Modi's regime. For this reason, this struggle of the farmers deserves our deep admiration.

Footnotes

[1] Paddy rice is the individual rice kernels that are in their natural, unprocessed state. Generally, 1 kg of paddy rice yields 750 g of whole rice and 600 g of white rice.

[2] The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a rural job guarantee scheme, passed by the Indian Parliament in September 2005 under the government of Prime Minister Manmohan Singh (Congress Party). It gives legal rights to the unskilled labour-force in rural areas to ask for 100 days wage employment from their respective Gram Panchayats. It aims to provide 100 days of work per year (unskilled, paid at the minimum wage) to voluntary individuals in poor households in rural areas.

[3] The First Information Report (FIR) is a document prepared by police organizations that sets in motion the criminal justice process.

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