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Potential implications of 'Farm Laws 2020' on rice marketing in India: A discussion

Biswajit Mondal[1]*, Jaiprakash Bisen[1], Suresh Kumar[2], Saddam Hossen Majumder[1&3], SK Mishra[1], GAK Kumar[1], MK Sinha[4], Utkarsh Tiwari[5] and Meenu Punia[6]

[1]ICAR-National Rice Research Institute, Cuttack, Odisha, India

[2]ICAR-Indian Institute of Soil & Water Conservation, Research Centre, Koraput, Odisha, India

[3]ICAR-NRRI-IRRI Fellow

[4]ICAR-Indian Institute of Water Management, Bhubaneswar, Odisha, India

[5]ICAR-Indian Agricultural Research Institute, Pusa, New Delhi, India

[6]Chaudhary Charan Singh Haryana Agricultural University, Hisar, Haryana, India

Corresponding Author e-mail: bisumondal@rediffmail.com

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ABSTRACT

The new farm laws remain a contentious issue in the political debates and discussions from their enactment. Protests are being organised across the country for their repeal. Rice is an important crop, produced and consumed by almost every farmer in India. Hence, the issue lodges an important place in the agriculture canvas of the country. In this context, this articles makes the first attempts to discuss the commodity-specific implications of these laws. In this article, we have provided an elaborate view on the three farm laws enacted in the year 2020 namely (1) The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020; (2) Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020; and (3) Essential Commodities (Amendment) Act, 2020 and discussed their possible implications on rice marketing in India.

Key words: *Agriculture, Farm laws, Rice marketing*

INTRODUCTION

The year 2020-21 would remain a highly turbulent year in the socioeconomic history of the world as this year has opened a plethora of new challenges along with new opportunities. India being one of the most populous economies which is deeply interconnected with the world has experienced the brunt of pandemic induced global economic shocks. The industrial, construction and hoteling and tourism sector were among the most hit sectors of the Indian economy, which despite contributing significantly to GDP registered a negative growth rate in the initial two quarters. This can be attributed to several factors of which disruption in global supply chains and labour migration remain the major. Despite contributing to less than 1/5th of the national GDP pie, agriculture remains the bulwark of economic resilience in the country which not only absorbed the incoming immigrant but also registered a positive growth rate in all the quarter amidst the pandemic. However, the same period is also thought to be the decisive period with respect to the farm sector of the country due to the introduction of three new farm laws namely-1) The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 (GoI, 2020a); 2) Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 (GoI, 2020b) and 3) Essential Commodities (Amendment) Act, 2020 (GoI, 2020c). Of these three farm laws, the first two is directly associated with farmers while the third one is associated with traders and processors and indirectly with farmers. In the context of Indian agriculture, new farm laws will be more impactful for the rice and wheat sectors as these two crops are cultivated by almost every farmer in every part of the country from north to south and east to west. Also, these two crops are quite important from the food security point of view and are too often discussed in Indian policy corridors for one or other reasons.

India is the land of rice where the grains of the crop is being celebrated across different ethnoreligious groups in a diversity of occasion in their daily life. On the production front, the crop is cultivated by 86.2 per cent of marginal and small farmers starting from Himalayas foothills to the below mean sea level in Kuttanad (Kerala), who own just 47.3 per cent of crop area during 2015-16 (GoI, 2020). Further, the rice is associated with the livelihood of the 67 million farm household (56%) in the country and significantly contributes to the farm income. In India, there exist few major marketing routes for paddy ranging from self-consumption to direct marketing and government procurement route among others. Of these routes, the government procurement route is significant from farm individual as well as national perspectives. Government procures the paddy grains from the farmers at procurement price, which is usually over and above the announced minimum support price (MSP) for a particular period. Each year, the Commission of Agricultural Costs and Prices (CACP) recommend MSP and present before the Cabinet Committee on Economic Affairs (CCEA), Government of India for the final decision on the MSP and announce it before the crop growing seasons (*kharif* and *rabi*). Assured procurement from the Government or the nominated/ assigned agencies by the Government ensures the guaranteed market and price to the farmers produce. Apart from it, the system also ensures that the farmers are not being exploited or cheated in selling their produce. While the regular procurement by the Government is crucial for several of its programmes and schemes like- Mid Day Meal, Antyodaya Anna Yojna, Targeted Public Distribution System (TPDS) and others which are vital to guarantee food and nutrition security and thereby the health security among the people.

However, the three farm reforms enacted in the year 2020 are labelled as anti-farmer or pro-business and invited a deadlock between the farming community and government and led to massive protest for so many months all across the country. The issue of Farm Acts-2020 remains the most discussed and deliberated topic of the first quarters of the year 2021 also. In this article, we critically discussed these farm laws and anticipate the intended effects on rice marketing in India.

DISCUSSION

Prevailing Rice Markets in India

a) Domestic market

Rice production and the level of consumption in India, has increased over the years and many companies are involved in the rice business and helped in the evolution of the organized rice industry. Apart from the production, India is also the top rice exporting country and shares nearly 24 per cent of global rice export. India also dominates in basmati rice export being the largest producer of premium-export-quality basmati rice globally. The CAGR (compound annual growth rate) of the Indian domestic rice market has remained above four per cent for the last five-six years. Non-basmati rice holds the more significant portion in the Indian domestic market in comparison to basmati rice as the basmati rice cultivation is limited to selected pockets of some states. The unorganized segment of the rice market system is now changing towards organized type, which is increasing annually at the rate of 12 per cent. Basmati rice is mainly marketed in packaged form, and with the advent of new healthy rice segments like organic rice and brown rice whose demand have increased by manifolds in recent years. Increasing awareness of consumer and the fast pace of urbanization are the influencing factors in developing the packed rice segment of the industry.

Agricultural produce is spread over rural villages, aggregated and disposed to different markets in semi-urban and urban consumers. Trade in rice includes many stakeholders/agencies which help in meeting the objectives of supply chains. Thus, the distribution channel has evolved depending upon the type of commodity, which indicates the routes of changes of ownership of the product as they passage from the farmer to the user, either households or industrial. Every product category has somewhat different routes depending upon the factors like (i) perishability of the product *e.g.*, vegetables, fruits, flowers, meat, milk, etc., (ii) bulkiness and weight like fodders, cotton are bulky but light in weight, (iii) facilities for storing, (iv) strong or weak marketing agency, and (v) physical distance between consumer and producer, *i.e.*, whether a distant or local market. For distribution of rice from producer to end user, following are the prevalent marketing channels:

- Producer-miller-consumer (village sale)
- Producer-miller-retailer-consumer (local sale)
- Producer-wholesaler-miller-retailer-consumer
- Producer-miller-cum-wholesaler-retailer-consumer
- Producer-village merchant-miller-retailer-consumer
- Producer-govt. procurement-miller-retailer-consumer
- Producer-govt. procurement-miller-govt. distribution (PDS/ other welfare schemes)-consumer

b) Export market

Indian agriculture during the last three decades added greatly to food production globally with the share of rice export in terms of value, being the largest amongst all farm produce. Since the early 1980s, the country has remained a major rice exporter but the nation has witnessed a notable surge after the enactment of new economic policies (NEP). Presently, India is the second-largest paddy producer in the world and during 2016, the country harvested 164 million tonnes of raw paddy (or 110 million tonnes of milled rice), which was about 22 per cent of the global output of paddy (753 million tonnes). India has also exported the largest quantity to the extent of 10 million tonnes (24 per cent), whereas, total rice traded was 41.4 million tonnes globally during 2016 (FAO, 2017). In total rice export, basmati contributed about 40 per cent, and out of the total exported rice in terms of value, the share of basmati was 56 per cent. However, basmati growing area was restricted to selected regions of seven states only, while, non-basmati rice grown by farmers in more than 17 states (APEDA, 2017). Moreover, NEP has given a lift to the export of Indian rice. Prior to NEP, mainly basmati variety of rice exported, but during the post-NEP regime, the Government withdraw the prohibition periodically on non-basmati rice exports. Due to the changes in policy, non-basmati rice export increased after 1994 and India positioned as the top rice exporter globally. Nevertheless, during the post-1994 period, the export of non-basmati rice was not entirely free; the Government slowly lifted various restrictions till 2011. Policy restrictions were still used to control exports, and after 2008, the Government imposed a prohibition on the export of non-basmati rice and the restrictions continued for about four years. In September 2011, the Government permitted non-basmati rice export out of privately held accounts. Afterwards, the Government also started permitting the Public Sector Units (PSUs) to participate in non-basmati rice export to few nations. The export of non-basmati rice has been steadily on the upsurge after the full removal of the restriction. The export of basmati rice was permitted even prior to 1994. The portion of basmati rice in total rice export was close to 80 per cent initially, but the changes in policy during 1994 resulted in the change of greater segment in total quantity in favour of non-basmati rice. During the period of complete open trade, the share of non-basmati rice export in quantity terms was more than that of basmati rice. Nevertheless, due to low price, it was not reflected in export revenue. In the period after 2007-2008, the portion of the revenue from basmati rice export was higher than that of non-basmati rice in total rice export revenue, which is solely due to the greater market price of basmati rice (Fig. 1).

The promoters of the export of rice advocate that the country has a comparative advantage in rice production, so promotion of export could help to earn the foreign exchange. It was endorsed that Indian rice is also price competitive and has the capacity to get a competitive edge in the global market due to premium quality (Datta, 2000). Evidently, liberalization of the rice trade would also address the poverty issue in India (Gulati & Narayanan, 2003). Opinions in favour of the export of agricultural produce in general and rice, in particular, are centred on the priority of earning foreign exchange through trade in the so-called 'free global market' at the expense of buffer stock after a certain limit. But the argument was untrue as the buffer stocks aimed to protect the economy from external shocks, as in 1974-1975 and 1995-1996 (Sekhar, 2003) and it can help to fight food insecurity of people (Patnaik, 1996, 2012, 2015).

During the last two decades, there was an

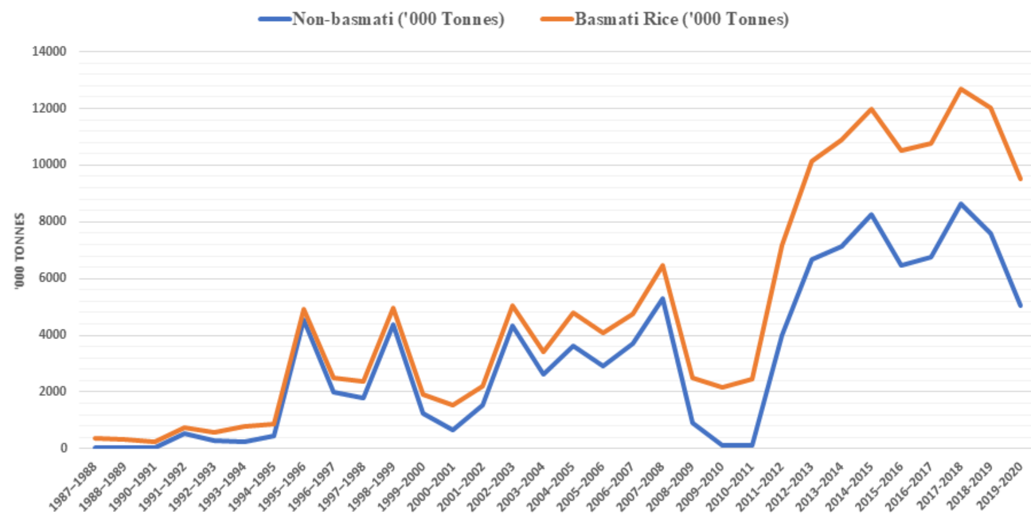

Fig. 1. The trend of Indian rice export.

increment in the nominal price of both basmati and non-basmati rice, excluding during the year between 2008-2009 and 2012-2013 (Fig. 2). The instability in the nominal price of basmati rice was more in comparison to non-basmati rice. However, the nominal price of non-basmati rice was nearly stationary and near to Rs.25 per kg since 2009-2010, even during the two years of prohibition when very little quantity of non-basmati rice was supplied to few neighbouring nations. On the other hand, the fluctuation in the nominal price of basmati rice was greater in the period since 2008, and there was a constant drop from 2013-2014.

With regard to the real price, the trend was virtually comparable, but the price of non-basmati rice was close to Rs.24 per kg during the period after 2009-2010 (Fig. 3). The price of basmati rice touched its highest level in 2013-2014 at Rs.73.40 per kg, after a drop in 2008, and afterwards, there was a steady decrease till 2016-2017.

Agricultural Market Reforms: Past and Recent

I. Past reforms

In India, agrarian markets are characterized by lower competitiveness, division, ineffectiveness, the existence of numerous middlemen, and recurrent price controls (Umali-Deininger and Deininger, 2001; Chand and Singh, 2016). During the 1960s and 1970s, Agricultural Produce Marketing (Regulation) Act (APMRA) in several states was a major step to bring about reforms in agricultural marketing. This Act brought radical and significant changes associated with gains, particularly in terms of increased competitiveness by creating a vast network of regulated markets. However, Palaskas and Harriss-White (1993) reported that regulated markets were not able to maximize producers' income, owing to the absence of a clear process of price establishment, and the extensive presence of collusion (Banerji and Meenakshi, 2004). However, due to poor market infrastructures and facilities, and lack of institutional innovations, the gains from APMRA got diluted, and extreme intermediation resulted in difficulties to the growers and consumers, and favoured middlemen only (Chand and Singh, 2016). These intermediaries involved without adding any value to produce leading to a reduction in producers' share in consumer's rupee (Chand, 2012). Further, APMC regulations resulted in inefficiencies in marketing, particularly due to restraints for farmers in marketing of farm produce outside the notified APMC market areas. Furthermore, the existence of several intermediaries among the producers and the final consumers results in the poor price obtained by the producers. Infrastructure developed in APMC markets could not keep pace with the growing volume of crop production, this also aggravated the problem of price realization for the farmers.

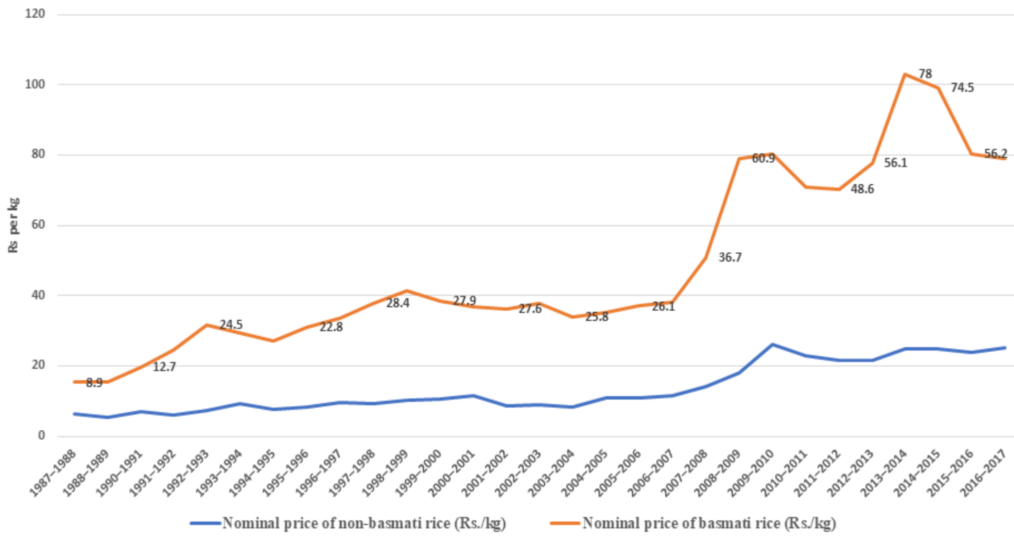

Fig. 2. The trend of the nominal price of rice exported.

This is evident from the fact that the growers' usual stake in selling prices varies through crops and ranged between 28 per cent and 78 per cent. The margins to the traders' and retailers' were usually observed to be greater in the case of perishable items in comparison to non-perishable items (RBI, 2019). Evidence from various studies suggests that in APMCs, which resembled an oligopsony market structure, with distinct possibilities of monopsony emerging due to collusion among a few traders' farmers (Deodhar, 2021), frequently experienced exploitation by monopolistic practices (Chand and Singh, 2016) and monopoly of APMC is made the farmers deprived of receiving the exact price of their output (Sharma, 2017). This way, APMCs remained unsuccessful to help the objective of attaining price detection equitably and clearly (Kapur and Krishnamurthy, 2014). Further, Bisen and Kumar (2018) categorised the key challenges in the execution of e-NAM (the last agricultural marketing reform) in terms of 3 I's (Infrastructure, Institution and Information). In India, fostering an efficient and competitive agricultural marketing system is indispensable for overall development. Limited accessibility and inadequate market facilities in agricultural markets are identified as major constraints to efficient operation. Therefore, to make agricultural markets efficient is deregulation was advocated as an important strategy with the removal of storage and movement controls for commodities (World Bank, 2008).

II. Recent reforms

With the spirit of long term improvement in farm income, the Government of India envisaged the existing challenges and enacted three farm laws aimed at transforming Indian agriculture. These laws aimed at realizing much needed reforms in agricultural marketing by providing better choice to farmers in deciding on disposal of their produce. It also aimed at the elimination of illegitimate middlemen from the value chain of agricultural commodities thereby enhancing the economic surplus in the agricultural market in the country. The reforms further, sought to provide a smooth flow of produce in the market by de-capping the restriction in the private stockholdings of agricultural produce. This section critically discusses these three farm laws and their implication on rice marketing in the country.

A. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020

It aimed at framing a conducive marketing ecosystem for farmers and traders which free the farmers from the obligation to sell in the designated market places, thus provide the opportunity to manoeuvre their choice in deciding "whom to sell?" It also provides for alternative marketing channels to encourage effective, transparent and inter-state and intra-state trade with no barrier and business of agricultural produce beyond the market area notified under state agricultural produce

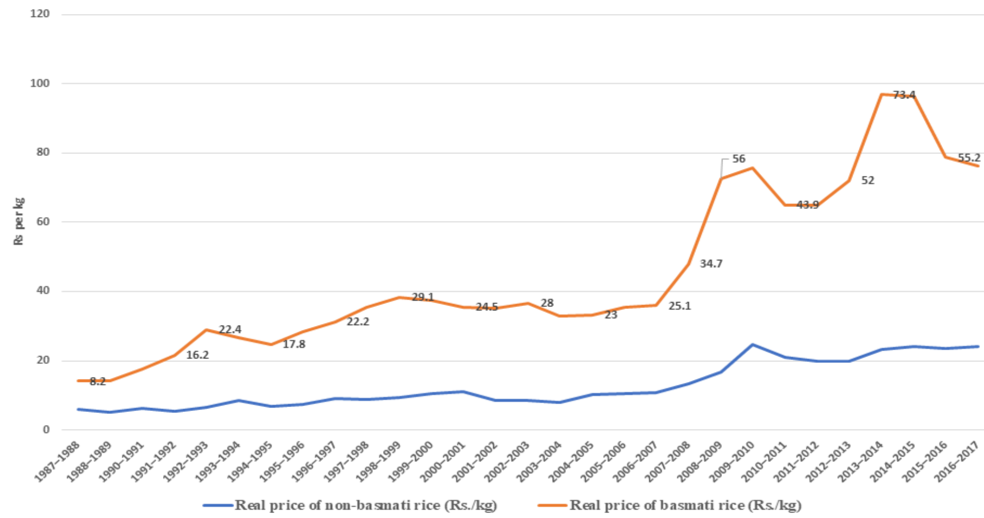

Fig. 3. The trend of the real price of rice exported.

market regulations of different states. It also aims to reinforce the spirit of e-NAM by providing a supportive background for digital transaction in the agricultural market. Main features of the Act include:

Expanded agricultural market boundary: The act expands the boundary of the agricultural market from the premises of already existing APMCs and Private markets to the other areas or premises, place of production, pooling and accumulation including- farm gates; warehouses; silos; cold storages; factory premises; or any other buildings or locations.

Instilling digital tools in the agricultural markets: recommend a method for electronic registration for a merchant, process for deal and payment method of the particular farmers' produce in a market yard.

Freedom to the farmers: in choosing the buyer of their produce by taking the decision to sell either the government agencies or the private traders.

Freedom of trade to the traders: in engaging in the inter-state trade or intra-state trade of listed farmers' harvest with another farmer or a trader in a market yard.

Abolition of market fee: The act prescribed that no charges or cess or levy by any names, under any State APMC Act or any other rule, shall be imposed on any seller or agent or digital trading and transaction platform for trade and commerce in scheduled farmers' output in a trade location.

Provision to eliminate the lemon's market: A lemon's market is said to exist under the information asymmetry situation (Akerlof, 1970). To deal with the lemon's market, the union government through some Government Organisation, develop a Price Information and Market Intelligence System for farmers' produce and an outline for spreading of information.

Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 aimed to create an ecosystem where the producers and traders will have the choice relating to sale and purchase of the agricultural product and enables remunerative returns through competitive alternative trading channels; promoting efficient, transparent and restriction-free inter-state and intra-state trade and commerce of farmers' produce exterior to the physical location of markets. This is expected to increase the competition by allowing the private market to operate or by lowering entry barriers for new players, which is expected to help the farmer in the realization of a better price. In this regard, as indicated by Chatterjee (2019) that surge in competition by one standard deviation raises the prices by 6.4 per cent, and thus farmers who live in regions of the relatively higher competition receive higher prices.

Despite these market enabling provisions, the Act suffers from some inherent challenges. In the context of massive numbers of unregistered traders in the agriculture markets outside the traditionally defined markets like APMCs and Private market yards, freedom of choice to the farmers in disposing of their produce would open the window for their exploitation by these illegitimate traders. Further, the Act even mandating the PAN for the traders, remains silent on its verification mechanism at farmer's end who doesn't possess such facilities to validate the legitimacy of such documents. The Act also remain silent on the type of alternative channels the law would promote as the new trading channel is nowhere defined in the law. Further, provisioning of electronic trading would face challenges in the form of inadequate infrastructure, lack of internet aided android phones with the farmers and technology handling capacity of farmers and traders to deal with the new provision.

There is a chance that farmers may obtain an enhanced price initially outside the *mandis*. The traders may also proceed to buy from outside and gradually *mandis* will miss their importance. With additional trade inevitable to occur exterior to the *mandis*, the government may not be willing to create any substitute price discovery/setting tool. In case, the APMC system flops, then there is no direct indication of how the price discovery mechanism will work. Prior to the promulgation of new laws, APMC Act already transformed in 21 states to permit private companies for setting up market areas or procure straightway from the producers and 19 states had encompassed the provisions of contract farming into their APMC Acts. Factually, if we judge the practice of private companies in the marketing of agricultural produce, it is less economical for them to procure the product directly from the producers due to the small and scattered quantities of harvest. Presently, in the APMC structure, these transaction costs are related to the local trader, that's why farmers don't sell the product to the APMC market straightway, instead, they sell it to local traders. The trader wilfully becomes an aggregator. Now, if there are no *mandis*, the same role has to be played by another group or agency. Even big companies like Big Basket or Reliance Fresh observed it more lucrative to buy at APMCs. In fact, the FPOs (farmer producer organisations) can perform the job of accumulation for these private companies.

However, we need to assess whether *mandis* are the prime marketing route for the bulk of our farmers? As per NSSO data (70th round), among the paddy farmers who informed sale of paddy during the period of July-December 2012, merely 13.5 per cent of farmers who disposed of it through any procurement agency and during January-June 2013, the figure was further dipped to 10 per cent (NSSO, 2014). Whereas, local private traders and input dealers purchased about 49 per cent of paddy, which indicates that a lot of business already occurs through private parties. The new farm laws accept that private companies don't exist today and the APMC dominates the trade, which is not true. However, private companies and producers who sell exterior to the mandi gaze the APMC price for reference. So, there is no question of eliminating the inefficient APMC at least in the case of grain marketing.

Actually, two states, Kerala and Manipur don't have an APMC, Bihar revoked the APMC Act in 2006. In Kerala, there is a preponderance of spices and plantation crops and they have been running auction centres since the 1950s, which are well-established markets. But the experience in Bihar doesn't provide much assurance, who after revoking the APMC Act, invited private outlay, creating a new mandi structure for better price identification, but not succeeded yet even after 13 years and the situation has deteriorated further. The condition is so wicked that the producers are not even receiving MSP due to the non-existence of a controlled market.

Implications on rice marketing

While answering this, it would be important to elaborate on implications on paddy and rice marketing. Marketing of paddy generally takes place in the output market between farmers and wholesale traders; farmers and government agencies (like FCI or State Trading Corporation) and farmers and processors; and also in the input market between farmers and seed processing companies and back to farmers. While the marketing of rice takes place between processors, traders and consumers; processors to consumers and between processors to government food distribution system (PDS) in the majority. So in both the markets (inputs and output markets), farmers have a limited stake in terms of business transactions at the initial stage of the complete value chain of the commodity. The provisions of the Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 are widespread and not confines to any single commodity. If seeing the law through the lens of rice marketing, it would seem to be beneficial for the farmers as it widens the horizons of the market and provides them with the freedom in decision making about selling. Autonomy in decision making as well as a plethora of opportunity in trading the commodities across different markets would certainly help the farmers in realising higher remunerative returns. Further, the legitimisation of inter-state trading would benefit the farmers who are at the fringes of the state border and in proximity to the markets on other side of the state boundary than their home state markets. In such cases, marketing costs of farm produce are expected to be optimised which would have positive implications on the net incomes of such farmers. However, the access to market information (price and arrival) from different market at a distant place; logistical challenges; inflated marketing cost (if a higher price is assumed to realise in the distant market place), and inflated transaction cost (in case of future payment for the produce) would be the possible challenges to the spirit of reforms.

India cultivates basmati and non-basmati rice in general. Among these, non-basmati grains are the major items of trade in domestic markets. Different regions have a specific preference for a particular grain type and in most of the case that is locally available. For example, in eastern India, bold rice is locally produced as well as consumed. In central India, medium to fine grain rice is mostly locally produced and consumed. A similar pattern does exist in southern and northern India too as specific regions have a certain grain type preference. Hence, there may be only a marginal increase in the interstate trade in paddy, however, the interstate trade of rice grain may enhance to a significant extent as the new laws tend to liberalise the domestic market by facilitating the interstate trade.

B. The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020

It aims to bring closer major stakeholders in agricultural markets i.e. growers and agri-business companies, wholesalers, large retailers, processors, exporters, etc. to facilitate fair and remunerative trade. The Act further aims at legalising the contract between these two groups of stakeholders to create a win-win situation in the agricultural market. The major provisions under the Act are-

Written farming agreement: The Act offers a documented contract in respect of farm harvest for at least one crop season or one production cycle of livestock, or at the most five years (or more, if the production cycle exceeds five years).

Objectivity in the farming contracts: Provisions of state of performance of such contract compliance with jointly acceptable quality, grade and standards of a product. The quality, grade and standards for the residue of agro-chemical, food safety standards, good farming practices and labour and social issues may also be embraced in the contract arrangement.

Transparency in pricing: The Act specifies that the rate to be received for the selling of a farm product may be worked out and declared in the contract itself. Further, if the price fluctuates, the agreements should clearly mention an assured price to be paid for such product and linking the prices greater than the guaranteed price with the prevailing price in identified APMC area or electronic trading and transaction platform or any other appropriate standard prices. The Act also comprises that the process of defining such price or assured price or bonus if any shall be added to the farming contract.

So, the Act is believed to create a level playing field by empowering the producers to involve with the aggregators, wholesalers, large retailers, processors, exporters, etc. on the equivalent grip. The transparency and objectivity in the determination of price for the farm produce to minimise the scope for the exploitation of the farmers by the business giants. Further, the guarantee of a definite price to the growers in the event of price fluctuations would be beneficial to shield the farmers against the volatility in market price. Linking of price above the guaranteed price means, in case the price in the designated market (APMCs) moves above the guaranteed price, the contract farmers would gain from the benefits of higher prevailing price in the market and would remain unaffected in the market price falls below the guaranteed price in the agreement. The contact farming arrangement has proven shot for the elimination of intermediaries from the value chain of the commodity. Hence, the Act would enhance the producers segment in consumer's price and direct the market on a more efficient path.

It is also expected that the Act will enable the producers to involve with aggregators, wholesalers, large retailers, processors, and exporters will offer a fair advantage and margins. Further, the reforms would help the farmers to manage the price risk stemming from the unpredictable agriculture market, and enable them to transfer the price risk to sponsor. Moreover, it increases access to modern technologies and better inputs for crop production. The alternate agri-food sector, like contract agencies and FPCs (Farmer Producer Companies) will help to identify the price better and help in capacity building of marginal and small category of farmers to assist them in connecting with international markets (Trebbin and Hassler, 2012). Further, FPO (Farmer Producer Organizations) will help in the consolidation of shrinking farm size of the small and marginal farmer, help them not only realizing the better prices but also provide the chance to harness the benefits of size of the business by strengthening forward and backward linkages. Bhanot et al. (2021) found that farmers who opt to sell through contract agreement and FPCs, they remain safeguarded from distress selling. In India, 85 per cent of landholdings are marginal and small with an average holding of 1.1 ha. Due to their small size, there is incongruity about their economic viability and operational efficiency. Among the others, the key strategy to improve operational efficiency is the collective strengthening of backward and forward linkages to harvest the benefits of size of operation. When owners of small parcels of land are aggregated by the farmers themselves by mobilizing the owners into some form of collective operational unit, maximum benefits out of contract arrangement can be reaped the due to economies of scale (GoI, 2018).

Contract farming, which guarantees the price and disposal of products, is known to the farmers for since long. Farmers get seed and pesticides but he has to buy fertilizers and engage labour. In production deficiency, the company bear the losses. Employees of MNCs provide weather information, suggests medicines for disease. Farmers even get relief from the problem of cold storage preservations. Farmers do not have any worry about anything except cultivating the crops. But the greater question is morality. There is no such policy to prevent the company from ditching the farmers. If the Act guarantees to prevent monopolization of one or two companies and regulate against harassing the farmers before paying the dues - there will be no glitches in the Act. However, the greater question is that the farmers should have counted over seed selection and use so that they can adapt other technologies of their choice. In contract farming, the seed used to come from a company produced in the laboratory which requires more fertilizer, pesticides, water, micronutrient and other management etc. which destabilizes the fertility and the farmers lose control over the use of the above resources. The Act does not spell anything in this regard.

In Gujarat, Pepsico suits cases against nine farmers in 2019 and demanded huge compensation in the issue that they have used the variety developed by the company in the area without agreement and sold in the market (Mukherjee and Shah, 2020). Though the court gave a decision in favour of the farmers, the event gave enough indications that farmers do not have any right to the seed developed by the company. Further, if we consider only economic worthiness, then diversity comes at stake in the system.

Apart from intrinsic complications, the new law on contract farming could possibly put farmers in an even inferior negotiating situation. For example, the Contract Farming Act stipulates that any agency of the Central Government or the State governments, or any agency authorised by such government can impose a standard for quality, which may often execute in a non-transparent manner and can be quite arbitrary, implying that they can be used to impose unfair conditions on farmers. The Act further postulates that "quality, grade and standards shall be supervised and certified during the process of cultivation or rearing [of animals], or at the time of distribution, by the third party qualified assayers to ensure impartiality and fairness". This indicates the deeply invasive nature of contract farming and the controls it could enforce on the liberty of producers to use their know-how, leave alone getting "remunerative prices".

To the extreme, the Contract Farming Act has a clause, which adds a few argumentative situations in the farming agreements like good agricultural practices as well as labour and social development standards. "Good agricultural practices" have not been well-defined in the Act, but if these are considered in concurrence with the efforts to enact labour and social ethics, there is a chance that farmers' welfares would be squeezed. Labour and social ethics have often been debated in the framework of global trade guidelines and pay attention to the core agreements of the International Labour Organisation connecting to minimum wages and the use of child labour. India has constantly fought the pressures of industrialised nations for including such biased criteria for international trade regulations as these are tools, which retards the rights of emerging countries in global markets.

What it holds for rice marketing in India?

In the case of the rice grain, contract farming can be generally observed - i) in input market as seeds, ii) in basmati rice, and iii) organically produced rice. However, contract farming in non-basmati rice is not very common. Moreover, contact farming is a common phenomenon for the commodity for which there exists market disequilibrium (Supply < Demand); whose income elasticity is high and having some specific quality trait or values (GIs). These attributes attract the processors or the traders to enter into the contract with the producers to take advantage of the market by catering to the specific demand of a limited segment of the economy. Contrary to it, India has surplus production of rice and its stocks are over and above the limits. Also, being the staple food commodity in the Indian diet it has inelastic and is easily available to consumers in all the socio-economic segments. In this background, the new law would not have any direct implications for rice grains in India except for the above-mentioned cases of contact farming in rice. However, the emergence of quality rice like-high protein rice, zink rice, lower glycaemic index rice and similar other rice-like geographically indicated (GI) would have a potential for getting into the contract farming arrangements and would be beneficial for their cultivators.

C. The Essential Commodities (Amendment) Act 2020

The amended Act offers a process for the "regulation" of agricultural produces, namely cereals, oilseeds, pulses, edible oils, potato, and materials under unusual situations, which include unexpected price upsurge, famine, war, and natural disaster of extreme nature. The act deregulated these commodities under normal circumstances and calls for their recommendation only in the cases mentioned above. It has been observed that stock limits make a significant risk particularly for agriculture food processing industries and hinders harnessing the benefits of economies of scale in agriculture. Essential Commodities (Amendment) Act, 2020 deals with the removal of stocking/storage and transport restrictions and sale of several major foodstuffs, except in the case of extraordinary circumstances. As this Act reduces interference of the government in the agribusiness, thereby may help in improving the market efficiency by facilitating improvement in cold-storage and reducing wastage of agricultural products, which in turn helps in bring price stability as the sizable stored commodities can be released as per demand.

The Essential Commodities (Amendment) Act intent to take away some produces such as cereals, pulses, oilseeds, edible oils, potatoes, onions, etc. from the list of essential commodities. The government asserts this will inspire investments by private parties to create cold storage facilities and other infrastructures and it will eliminate the supply side obstacles and offer enhanced rates. On this aspects, it is argued that the law will be highly useful to trades also. Many pointed out that the Essential Commodity Act was a draconian law, which was used by the government against the traders and producers. This liberal transformation will permit the sellers to sell their commodities without any interference. Further, liberalization will draw a lot of investment in infrastructure, which will increase production, enhance returns to the farmers, reduce post-harvest leakages, create better storage amenities with higher capacities, help in the modernization of infrastructures and adoption of technology.

This will also increase as availability and accessibility of produce throughout the year as they can be warehoused for lengthier times in spite of natural disasters and abnormality in climatic situations. As the government is approaching up with FPOs at every nook and corners of the country, traders and producers can work in combination with the producers over these

FPOs. They can cultivate their product for bulk supply and fulfil the growing requirements. Renowned agricultural economist Dr. Ashok Gulati said, for helping the farmers, the exact tactic is through the establishment of Farmers Producers Organizations (FPOs) not APMC *mandis* (Gulati, 2021).

Implications for rice marketing

The amendment in the essential commodities act is believed to remove the ceiling on the storage. Hence, it can be anticipated that the amendment may lead to faster clearing of the APMC yards, farmyards and other markets as the processors can maintain the large stock of grains for year-round operation of their processing industries. Further, the rapid market clearance would mean demand and supply in the market would be in parity in the market in the seasons. Thus, the dampening of price is expected to be checked. Hence, even the undesignated market places are expected to yield remunerative returns to the rice farmers. The brief summary of anticipated effects of new farm laws are given in Table 1.

Pros and Cons of New Farm Laws

The Union government asserts that these bills will open up the farm sector and remove the stagnation of agriculture for long periods, which means eliminating controlling regulations will augment the growth of the agriculture sector. For instance, as purchase and transaction can occur exterior to the APMC *mandis* without reimbursing any charges, there will be a race among buyers, and producers will receive the greatest price for their produces. Local Entrepreneurs at the local level will arise for exchange in agricultural crops. The contract agreement will reduce the risks in production as corporates will reach the field with up-to-date skills and technologies and the producers will obtain a guaranteed return. Economic Survey also bats for farm laws, says small & marginal farmers will no longer be 'enslaved' calling them a "remedy" rather than a "malady". It added that current mandi regulations, which have led to the existence of numerous mediators between the producers and consumers, have resulted in several inefficiencies and losses for the farmers. "The reforms in agricultural markets will allow the conception of 'one India, one market' for agri-produce, generate countless prospects for farmers to go for the value chain in the food processing sector, create jobs and increase incomes," the survey emphasized (GoI, 2021).

Whatever may be prospects, we can't avoid few real likelihoods of how these regulations would affect the farm and farming activities, and exactly why farmers seek them to revert. MSP was never a law. However, the Union government used to announce MSP for 23 commodities across the country through notifications, though it was never a law. The new law didn't indicate that MSP will be abolished. However, these laws permit buyers to involve directly with producers to purchase the output exterior to the APMC *mandis* without any regulatory framework. In these circumstances, MSP could have been made into a law to strengthen the bargaining power of the producer. MSP could have fixed a threshold price above which bargaining can be started. There are chances that due to the non-existence of any regulation about MSP, the farmers would lose to a greater extent.

Table 1. Snapshot of expected advantages of new farm laws.

Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020	Essential Commodities (Amendment) Act, 2020	Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020
♦ Promotes competition and reduce exploitation ♦ Creation of new supply or value chains ♦ Reduction reduces transaction cost (procurement and distribution) ♦ Attract private investments for marketing infrastructure, processing and logistics ♦ Better and transparent price discovery ♦ Positive effect on farm gate price ♦ Increase in farmers' share in consumer's rupee	♦ Helps in achieving economies of scale in the food processing industry ♦ Induce investment for creating world-class storage infrastructure and facilities ♦ Positive effect on export ♦ Helps in becoming competitive globally ♦ Positive effect on farm gate prices ♦ Modernization of food supply chain ♦ Eliminate doubts in private investors about unnecessary monitoring ♦ Positive effect on price stability	♦ Reduce the price risk. ♦ Increase farmers' access to modern technologies and quality produce. ♦ Creation of new and modern supply chains. ♦ Strengthening of backward and forward linkages particularly for marginal and small farmers.

If marginal and small farmers arrive at contract agreement, there will be two key effects on their livelihoods. First, crops chosen by the farmers provide them food, fodder, fuel and even medicine for a substantial period of time. In a contract farming arrangement, the decision about crops will be taken by the contract agencies considering the demand at the market. There will not be any consideration about the wants of a farm family, which will render resource-poor farm households more susceptible. Second, capitalism has a persistent inclination to complete the works at an inferior skill level than before, which is called deskilling. In industries, this is being done by mechanization say conveyor belts, which will encourage division of labour. In the case of agriculture, it can be initiated by snatching the control of using inputs such as seeds, pesticides and fertilisers from the farmers to companies, thereby, deskilling the farmers from doing good agriculture practices. This practice results in producers not using their own understanding and skills. Instead, they need to adapt the instructions printed stickers of packets of inputs. There is a chance that contract arrangement will further deskill the producers - the whole thing will be organized by the companies and the growers will be converted into caretakers. Slowly, they will gaze to migrate, dropping interest in continuing in rural set up where they will apparently have less access to their agriculture operations. At some point, the whole marginal and smallholdings will be at the mercy of a few corporates.

Agricultural products like paddy, onions, potato, etc. will be outside the box of essential goods, and there will be scope for unlimited stocking and hoarding of these commodities. The price of the said items along with other food materials may jump to a magnitude that the urban poor may not remain in a position to purchase the bare minimum food items. It is usually argued that Indian farmers are provided with unproductive supports in the form of subsidies on inputs like fertilisers and electricity, and in the product market through minimum support prices (MSP). Such opinions, however, overlook the worldwide truth, where farming is supported by many developed countries for tactical causes. A working paper from the Centre for WTO Studies, Indian Institute of Foreign Trade, Delhi, shows the degree to which advanced countries backed agriculture and do not let them to the clemency of market force (Sharma et al., 2020). Total national support (including price, income and input subsidies), as a per cent of the worth of products, ranged between 38 per cent in the US and 20 per cent in the EU to 15 per cent in China, whereas, in India, it is about 12.5 per cent (Sharma et al., 2020). The arguments elaborated above can be summarized as APMCs are very supportive for small producers not just to sell the product but also to identify the rates & crop selections. Various states have modified the APMC Acts for making them more open and transparent. The Act may deteriorate the APMC structure and hence it can be handicapped to marginal and small farmers.

So that the above apprehensions can be summarized as :

♦ There is no assurance that the growers' revenue will be augmented by the Acts. If we consider the case of Bihar, when the state abolished APMCs during 2006, producers started to receive lower prices for their product compare to MSP.

♦ 'One nation one market' may not be feasible for marginal and small farmers, because conveying the product needs more expenses than selling them at the adjacent APMC.

♦ Contract farming may turn farmers into simply a caretaker.

♦ Removing the limits on the storage of some food grains may result in more imports at cheaper rates, which will definitely affect the local farmers. Further, big trades may stock the food grains to escalate the prices artificially.

♦ Without regulating the prices by the government, the market will be controlled by few big businesses rendering both the producers and the consumers on the verge of misuse.

Implications for Small Farmers

Till now, APMC *mandis* and MSP protected the marginal and small category of farmers, who comprises about 86.2 per cent of the farm households in India. Farmers holding fewer than five acres (two hectares) of land are categorized as small farmers and those holding lower than 2.5 acres (one hectare) grouped into the marginal category. Nevertheless, the average holding size of the farmers under the marginal category, which comprises about 65 per cent of the farm households in India, is having less than an acre and the average holding of farmers of the small category is around three acres. A marginal farmer cultivating about an acre of land in paddy-growing areas, in the eastern region can harvest around 1,000 kg. If we assume the milling ratio of average quality rice as 65-70 per cent, that means the farmer will get around 650-700 kg of milled rice after processing. Considering the size of the average family as five in rural areas, where people eat mostly rice, the family needs at least three kg of rice per day. Thus, the farmer needs around 1100 kg of milled rice a year for its own consumption. Additionally, in villages, people with other occupations like barber, blacksmith, carpenter, shepherd and many others are paid in kind sometimes or cash after seasons sale. So, a farmer under the marginal category can't produce adequate food even for their family requirements. In the central Indian plateau area, the usual yield of paddy is still less - around 800 kg an acre. There, even households under the small category can't produce sufficient to meet their family requirements throughout the year. Due to lack of irrigation facilities, most of these farmers can't grow a crop in the lean season.

So, marginal and small farmers in India are unable to produce adequate food even for their own requirements. About ninety per cent of these households compelled to buy cereals and other food items for their living, and they used to sell a portion of their harvest immediately for money required to buy foodstuffs and other essentials. The minimum support price (MSP) declared by the government, and the procurement system-aided these households to get a modest price for produces such as wheat and paddy. Else, immediately after harvesting, the market price dips to such a level that the farmers can't recover the expenses incurred. Many of these farmers belong to the BPL (Below Poverty Line) category and receive food grains (wheat and paddy) from the PDS (Public Distribution System) outlet at a much-subsidised price. Therefore, they sell the grain at a better price, taking benefit of the MSP and procurement system of the government, and then buy the grain at a very low price from the PDS, as priority households.

End of Middlemen-era: Role of Corporates

The key purpose of the new farm laws is believed to lift the agrarian sector, encourage competitiveness, and realize enhanced rates for farmers' products. These regulations are also intended to eliminate the number of middlemen and other associated inadequacy in markets. Now the question arises whether the corporate sector will acquire a grip on the agricultural sector? As the farmers foresee, corporates will acquire more stronghold in the contract farming arrangement, and resource-poor farmers will succumb to end-less poverty. Explaining the quandary, Head of the Bharatiya Kisan Sangha (BKS) opined that advanced nations such as America have lesser people (Singh, 2020), so, involving in contract arrangement fitted there. But in India, there is a larger household size and most of the family members are engaged in farming activities. It is argued that if a company reaches a farm-gate, it will employ its own staff to cultivate the farm. What the family members will do in those fields and where they will go for alternate employment. Further, if they separate from agricultural activities for some time, they won't come back again, whatever might be their living standards. However, experts do think otherwise. For example, an argument in favour of desi/national companies (say Maruti, Coffee Day, Chai Point) and brands dominates over many of the big corporations (like Fords, GM, Honda, Toyota, KFC, McDonald's, Starbucks, etc.) (Singh, 2020). It is propounded that market forces and proper guidelines will never allow anyone to govern the whole agricultural sector, which is too vast and varied for any corporation to regulate everything. Furthermore, the government is planning to convert market intelligence through digital know-how and artificial intelligence system, which will offer each grower access to better markets.

CONCLUSIONS

Overall, the reforms are anticipated to quicken the progress in the sector through investment by the private sector set-up and manage supply chains for the agricultural product in domestic and international markets. They are envisioned to support marginal and small farmers who are not having either bargaining power for their product to fetch an improved price or invest in technology to augment the yield of farms. The rule on contract farming will permit the farmers to go into an agreement with agribusiness companies or large retailers on pre-settled prices for their products. It will also aid the farmers of the regions with an excess product to get improved prices and end-users of the region with scarcities, lesser prices, etc. It will encourage the formation of Farmer Producer Organisations (FPO) on a huge number and will aid in establishing a farmer-friendly atmosphere for contract farming, where marginal and small producers and traders can benefit. Competition is the greatest guard of participants, be it for consumer or producers. Partaking a diversity of purchasers will shield the farmers from misuse and getting many sellers (farmers), consumers can purchase healthier products at better deals. However, the decline in roles of APMCs as new laws allowed for out of APMC trade is the main concerns for the farming community. The main concern remains the erosion of benchmark price (here MSP) as the guarantor of MSP *i.e.*, APMC would lose its glare in the backdrop of the development of new markets in agricultural commodities. Finally, as researchers, we can say that real bearing of these three laws will be judged based on their impact on the 'farm gate prices and farm income' over the period of time. Till then, let us wait for the data on these parameters to end the speculative discussion.

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