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## SHETKARI SANGHATANA STATEMENT BEFORE THE SC COMMITTEE

To,  
Committee on Farm Laws  
(Appointed by Honorable Supreme Court Of India),  
Subject : Shetkari Sanghatana Statement before the committee.

### Preamble

Shetkari Sanstha (SS) was founded in 1979 in the heyday of Janata party regime by Shri Sharad Joshi (SJ), a UN returned econometrics-scholar-turned-farmer experimenting in farm economics on ground, near Pune. The export ban imposed by the 'pro-people' Janata regime controlling the Central Government had dashed the onion prices to dust and farmers dumped their onions alongside roads to rot, which was a frequent experience of farmers.

Sharad Joshi soon realized that successive Governments have killed the markets for farm-produce of various kind--cereals, pulses, oil seeds, vegetables and what not--by systematic state interventions and barriers with a slew of legislations like ECA, APMC, zoning of sugarcane to suit cooperatives, restrictions on trade, movement, processing, stocking, futures etc.. Even the agricultural land ownership was stifled by the Ceiling Act, Tenancy Act, Land use legislations, Land acquisition act etc. This Nehruvian mechanism of expropriation of wealth produced by farmers to promote industrial-urban growth was strengthened by successive constitutional amendments right from Schedule IX and there could be no legal remedy for this chronic exploitation.

This led late SJ to his doctrine--of deliberate, systematic anti-farmer legislation and institutions, and that farmers need freedoms from statist regimentation of the farm sector and surely not more of the state. The SJ doctrine held that farmers need freedom from the state, to seek freedom of enterprise, resources, access to markets and technology, and even exit from farming to seek better lives. Farming was, in the SJ doctrine, not a romantic life to pursue despite losses,

but a livelihood enterprise with losses and profits. He argued that it is the farmer who multiplies the produce with his land and nature's bounty, but it is the plunder by the state that has pauperized him perennially. In the SJ doctrine, the chronic indebtedness of all farmers across India is a direct result of this deliberate and systematic loot and hence all farm loans are illegal, immoral and finally impossible to repay across generations. Spread over thousands of pages in Marathi and English text, SJ argued for liberal reforms including equality before law for the farmer. सरकार समस्या क्या सुलझाये, सरकार यही समस्या है was his refrain. The instruments of intervention that the government of India had so far used are simple but very lethal. In 1997 the GOI admitted to 72% 'negative subsidy' to farm sector before the WTO. i.e agriculture was subjected to turnover taxation. It was further established by Dr Ashok Gulati et al in the studies by ICRIER-OECD on agricultural policies in India. The socialist state and mindset still persist to 2020. That the Indian socialist state has created a two-nation system of exploited Bharat and pampered India was his famous statement.

The SS movement till 1991 was around remunerative prices for farm-produce, because of the planned economy of controls and exploitation. Even after 1991, the liberal reforms carried out for other sectors were denied for the farmers by the Rao-Manmohan duo. The later regimes of NDA under Shri Vajpayee and partly Manmohansingh have relaxed some stranglehold on the farm sector. It is this NDA 2 under shri Narendra Modi that offered the first cache of reforms about farm produce regarding trade, contract farming without losing land to promote FPOs, and partial freedom from ECA. This is hugely welcome by the SJ-SS. A fuller cache of liberal reforms should include undoing of Schedule IX, land ceiling act and other restrictive land law regimes, scrapping of the ECA and export bans under the foreign trade act.

The SJ doctrine thus argues for de-regimenting the farm economy, unshackle the men and women in farming and promote free enterprise and trade. SS argued for unburdening the chronic indebtedness and facilitating ease of doing business in farm for a competitive farm sector. This means restructuring the farm sector with integration, technology and market access. The SS therefore welcomes the three farm laws by GOI in 2020, however we state that they may not be fully effective to achieve goals and objectives for which we suggest some changes and additional measures.

Unfortunately, most of the farmer leaders of the 2020 agitation deliberately refuse to recognize that the way to improve farmers' price realization is to liberate agriculture from the various controls. They still want to retain an environment in which the government uses various instruments such as banning export of Agricultural produce and dumping of foreign agricultural produce in India, as also restricting the movement, storage, processing and marketing of farm produce within the domestic market.

The Govt. that succeeded the British rulers after independence designed ways and means and framed anti-farmer policies and laws. In post-independence history of India, no political party (except Swatantra party of Rajagopalachari, Minoo Masani etc) ever showed displeasure over the

ill deeds of government against the farmers. And incidentally/hence it was not unexpected that none of the subsequent governments over the last seven decades ever had intended to put an end to the immoral but legal power it has been wielding for seven decades now. NDA has thankfully done this brave change, and needs to be greeted with accolades. It is another matter that some vociferous groups near Delhi NCR are arm-twisting the hands of the present Govt to roll back the laws, many of them direct beneficiaries of MSP-state procurement of wheat and paddy is no surprise. Strangely even political parties that wanted these reforms as per their 2019 manifestos have joined to oppose the same reforms they wanted done.

## Our prescription for Reforms

The full prescription on the basis of the SJ doctrine, can be briefly stated as follows.

- 1) Allowing an economic drift and shift of families subsisting on fragments of farms to other sectors, and reducing the burden on the farm sector.
- 2) Infrastructure development--roads, power, irrigation, warehousing, transport etc--to promote farm economy.
- 3) Inviting private investment in the farm sector by improving infrastructure and legislative environment for ease of doing business.
- 4) Declaring all farm loans as null and void, on the background of chronic negative subsidy through various statist mechanisms.
- 5) Legal Reforms: (a) Lifting of all laws like Maximum Land Holding Act, Tenancy Act, Land Transfer Act etc. which restrain farmers from entering into contract with other parties and accomplishing the real benefits even from the newly introduced contract farming laws and also from expanding the land area for enhancing the scale of farm operations essentially to economies operational cost by using technologies and machinery. (b) laws restricting farm produce trade and commerce (c) scrapping of Schedule IX holding draconian laws including ECA.
- 6) Allowing freedom of access to modern technology including seeds, fertilizers, pest control, processing etc, especially GM technology
- 7) Undoing the regime of alleged farm -subsidies that actually end up in the hands of नेता तस्कर गुंडा अफसर (SJ's phrase for the nexus) and manufacturers of farm-inputs, and allow the farmers to make choices of crops, discover best price for their produce, and negotiate for better returns.
- 8) Facilitating farm exports as per WTO framework so that Indian farmers can benefit from comparative advantage over other countries and develop better and cheaper goods.
- 9) The MSP and procurement regime, now operates mainly for Wheat-paddy and sugarcane (FRP) and cotton to some extent. This has 'fixed' the prices of these commodities to unrealistic levels-low for many years, (through now higher than International prices, causing distortions in trade). MSP is a relic of the planned economy era, and must be effectively and gradually phased out. FCI is guzzling large subsidies and is already unsustainable.
- 10) For poor families, GOI can transfer food security subsidies by direct bank transfers on a monthly basis so that they don't have to depend upon ration shops. For better food security with nutrition, coarse grains, pulses and oils can also be considered as important additions to the FS basket. This will avert the dangers of rising burden diabetes, hypertension, obesity etc and improve protein content of daily diets of families served.

## OUR position on the three laws

### (A) THE FARMERS' PRODUCE TRADE AND COMMERCE (PROMOTION AND FACILITATION) ACT,

a) This act is greatly welcome as it officially and centrally ends the monopoly of APMCs. Currently APMCs are extracting cess even for trade happening outside the physical premises of APMCs or deemed markets notified under various states' APMC legislations. The law ends this and opens alternative opportunities for trade and commerce of farm produce. We plead, not to compromise the stand at any cost.

b) It is unfair to levy cess on private markets which provide infrastructure and services, investment of which is borne by private investors anyway.

c) The fear that only PAN holders will dupe the farmers is not unfounded unless backed by some guarantees. However, there is risk inherent even in APMCs because of many factors, and farmers/producers have to decide on credibility of transactions by the parties involved therein. The E-NAM software shows the bank balance of traders at that moment, and if this is available for even private markets through some app, transactions can be safer and surer. If there is some insurance cover for transaction failures under some cap, this could be a favorable arrangement.

### (B) THE FARMERS (EMPOWERMENT AND PROTECTION) AGREEMENT OF PRICE ASSURANCE AND FARM SERVICES ACT,

a) This is a positive legislation for contracting farming and commercial services, since farmers are avoiding such services for fear of losing the title or complex litigation. This law has facilitated such services by clearly keeping land-title/renting encumbrances out of the contract. This should in principle promote contracts, allow use of fallow lands, small pieces of unviable lands etc.

#### **But we do have several points of concern about this Act.**

a) The heavy bias of this law towards the farmer/landowner may discourage sponsors of services as already farming is a risky business due to natural and market shocks.

Lacunae in contract farming act: There appears to be an illogical provision made in the (usually referred as) contract farming act favoring the farmer (a party to the contract) and unjustifiable for the purchaser (another party to the contract). Kindly read sub section (2) (b) (ii) and (iii) of section 14 of chapter III of the act.

(ii) reads as: 'where the order is against the farmer for recovery of the amount due to the Sponsor on account of any advance payment or cost of inputs, as per terms of farming agreement, such amount shall not exceed the actual cost incurred by the Sponsor;'

(iii) reads as: 'where the farming agreement in dispute is in contravention of the provisions of this Act, or default by the farmer is due to force majeure, then, no order for recovery of amount shall be passed against the farmer.

- Such unilateralism in favor of farmers may provoke him to sell the produce to the other purchaser who offers him the price higher than the contract price. A Law should provide an equal opportunity and treatment to all parties involved in the contract, and especially in case of breach of contract. Then and then only all the parties to contract shall abide by the agreement incorporated in the contract.
- Again, in case of loss occurring due to calamities farmers must be liable to pay to sponsor at least the cost of services, inputs and the advance money (if) taken by him from the sponsor.
- Unless such legal routes of escape from the penalties are not closed no (genuine) contract deed shall/can ever be executed or shall ever see the light of day.

b) The decision of duration or span for the tenure (five years now) of contract should be left to be decided by producer and sponsor as per their convenience.

c) For majority of the farmers holding small unviable pieces of land the reform should provide freedom to lease their lands to agri-professionals with capital and technology, and become in turn shareholders and also provide an opportunity to extend the services or take wilful exit for better opportunity.

The SDO level for dispute resolution should be good, rather than going to court. But the latter option of court of law or may be an option. There could be a tribunal at state level to try disagreements at SDO level, before going to civil courts.

### (C) THE ESSENTIAL COMMODITIES (AMENDMENT) ACT.

The ECA, often described as 'draconian' is seen as thwarting private investment in post-harvest storage, warehousing and processing, especially because these controls are implemented somewhat arbitrarily. Historically, ECA-related restrictions have been neither predictable nor infrequent. And since restrictions are imposed temporarily, typically, for six months or a year at a time, the uncertainty thus created hinders operations of agribusinesses, logistics firms and traders alike.

While Essential Commodities (Amendment) Bill, 2020 is aimed at removing such impediments, it still contrarily retains the scope for the government to deploy the restrictions or impose restriction (but) only in 'exceptional circumstances'. Such a legal provision allowing the government to revoke the act and intervene in the market renders the amendment meaningless. Hence, mere amendment in place of abrogation of essential commodity act may not serve the desired purpose. It is necessary to understand that 'fair price' is a euphemism for suppressing commodity prices in favor of consumers and also for keeping prices of wage goods raw material

low Pramod industrial growth and ultimately maintaining low cost economy by exploiting the already famished farmers.

This reform needs to be followed by intervention free policy on exports, unlike the present 'start-stop' policy under which onion exports were recently banned. This is why farmers hanker after MSP

#### (D) PERILS OF MSP & PUBLIC PROCUREMENT

MSP in its original meaning implies government stepping in as a purchaser of farm-produce commodity when its market prices start below a 'minimum' set level and hence to shore up the prices by increasing demand. It has however been assumed that Govt is bound to buy all such produce (23 commodities) and stock and distribute it. Nothing can be farther from the truth or good economics. It's high time now that the farmers of this country are convinced to say goodbye to the bad era of restrictions, bans, MSP, FCI, APMC etc etc

a) 'MSP regime or MSP system' to stay alive or stay in its place could be the demand of some trade union mind-set farmers. Many farmer organizations are against it.

b) MSP and Monopoly procurement schemes produced a two-tier system of prices in the market that causes many complications including corruption. Procurements in very small quantities and that too by very small number of procurements centers, benefit very small numbers (not even 1%) of farmers. And there is no secret about the fact that 50% of the produce in quantity thus procured (on an average) belonged to the real producers. Rest 50% of the total quantity procured is sold to the agency on the fake/dummy names of the farmers by the nexus group of APMC actors, politicians, traders and the procurement agency itself or its employees.

c) The cost of production of commodities cannot be the same across states. The wheat from MP farmers has a higher cost of production than say Punjab-Haryana because of variable input costs and per hectare productivity. Hence the MP farmers will gain much less from MSP (procurement) than the farmers in the latter states. Also the Punjab Haryana paddy is costlier than in Bihar or Orissa if we consider environmental costs. So MSP discriminates between states and cannot be a just price.

The quality of commodities across states is variable, like the MP wheat is in far better demand in private markets than the other states. MSP cannot do justice to the quality grades.

MSP-procurement by FCI has damaged the true and long-term cause of H-P farmers by eroding water tables, soil-health and fertilizer use. This is already unsustainable but farmers in these two states are blackmailed into produce the same crops despite invisible losses to their and the nation's resources.

d) Processing industries do not have the choice to go for selected varieties. Industries have to process the mixtures of different varieties available in the market. Quality assessment with

regards to varietal or variety-wise taste, digestibility, color, geographical influence etc have lost significance in the present 'one size fits all' system of pricing and processing.

e) Arranging/organizing for infrastructure and funds for procuring such a huge quantity of agricultural produce from all over the country (presently managed by a large number of private agencies) is impracticable and next to impossible a job for the government.

f) Imposing legal compulsion on private purchasers to purchase at minimum support price (even as or at the times when market prices prevail at below MSP levels) would be an immoral and undemocratic act. Making MSP a legal right is also a bad idea. Such attempts will destroy the whole market system of the nation.

g) Any attempt, executive, administrative or statutory to stabilize the prices of agri-commodity other than to ensure the openness of the market must have no place.e.g.: price stabilization fund scheme is also a sinister mechanism to lower prices of commodities in markets.

## (E) APMCS AS HURDLES

Late SJ used to call *APMCs as slaughterhouses of farmers*, because of the unholy nexus of negative and anti-farmer elements and tendencies. It is universally acknowledged that the prices of farm produce in India are not allowed to be decided by the forces of supply and demand. The policy of low-cost economy resulted in a situation where the agricultural prices do not cover even the cost of production, where there is no post-harvest link between the farm and the kitchen and the markets are dominated by a long chain of intermediaries. The system of APMCs has done nothing to remedy this situation. It has failed to ensure systems of standardization grading weightment and timely payment. APMCs have perfected the art of looting farmers by diverse and devious practices that are well known across markets and can be listed as delays, cartelized manipulation, non-transparency, lack of facilities to farmers, outdated equipment, corruption and deceit of Govt through fake receipts and pocketing of cess collection, head loaders exploiting farmers and so on. Hence, it was essential to curtail the APMC's legal discretion of exercising its jurisdiction outside its market yards. The large variation across states in the scope and stringency of these APMC Acts has led to fragmented markets that have impeded the emergence of a single national market. State Govts have been unable to stand and challenge the nexus in APMCs. New markets or Marketing Systems emerging outside the APMC shall remove such impediments and lacunas. Ridiculously, as of today, private players, where they operate, tend to look to the APMC markets to guide their own transaction prices outside the mandi. Hence APMCs have proved to be hurdles for growth of agri-markets and in turn harming the farmers of India. WE ASK for APMCs that can compete with parallel markets including futures trading.

It should be also possible to 'privatize' APMCs through the first law stated above.

## (F) CENTER HAS DONE WELL TO HELP STATES REFORM THEIR AGRIMARKETS BY THESE THREE LAWS

Although there is a hue and cry about legality of the three central laws esp regarding state-prerogatives about farming. We firmly know and state that agri-trade is not only a national but also an international affair, and GOI so far has handicapped farmers by restrictive trade barriers through various laws and mechanisms including the foreign trade regulation act. Hence the current intervention by enacting the farm laws by GOI is both - necessary and justified. (Otherwise why should GOI purchase wheat-paddy and distribute to all states through FCI using tax-funds?)

Thus far, agricultural market reform was the domain of the states. But powerful lobbies of traders and their nexus with politicians in many states blocked such reforms. Successive governments at the centre have historically faced huge challenges in pushing through any reform that would take all states forward at the same pace. Hitherto/so far, efforts at harmonizing state-level laws have taken the form of appeals, pleas and entreaties by the centre urging them to reform the APMC along prescribed lines, the most recent recommendation being the Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2017

Resorting for the recently passed three farm acts thus represents a culmination of a prolonged effort to change the stifling regulatory environment of agricultural markets to allow more room for private players, while allowing farmers to connect with non-traditional private players in agricultural markets.

## (G) Need for more legal reforms from GOI

a) The next reform should give farmers freedom to lease their lands to agri-professionals with capital and technology, and become in turn shareholders and workers on the same land, or setting the stage to make forward contracts, transferring their risk to businessmen, leading hopefully to a freedom to lease unviable lands for a job and a share in profits.

b) Food processing industries require raw material in large quantities. There exists strong reservation for corporate sectors' entry into agriculture. But farming through cooperation of farmers formed through conversion of land and labour into equity could create the suitable situation convenient for large scale farming and raw material supplies.

c) In fact the reforms may or should provide an opportunity for those willing to exit farming to for better considerations and also open opportunity for the new entrants willing to enter this vocation.

d) Clearly, there must be some way by which those who find themselves trapped in agriculture are offered an escape route, giving way to those who feel confident of tackling the more technical and mechanized cultivation system.



f) What is needed is the setting up of an active and efficient land market that can bring about liberalization in the farm sector and ensure freedom of entry and exit.

g) Abolishing concomitantly the EC act, the Land related acts and other anti-farm-sector laws and acts concomitantly can only help accomplish the multiple motives and objects desired to be achieved by the newly enacted farm laws. There cannot be anything like a middle path in economic reforms. Reforms in other sectors (especially the industrial sector) cannot be implemented properly in an isolated manner - without encompassing the agriculture sector.

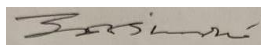
h) Farmers have also demanded since long to remove the hurdles in their free access to all the technologies especially genetically modified seeds, being used widely by their counterparts around the world.

i) The lands can become more productive by use of scientific methods or by infusion of capital and technology.

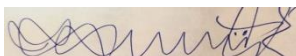
j) Pests, diseases and weeds can be dealt more efficiently and at lower cost by genetic interventions. But Investments in R and D in general are very low in India. And there is currently a virtual paralysis on the use of genetic engineering and gene editing technologies.

Anticipating/with the hopes that in near future the government shall take further steps necessary/ required/ desired to reach the ultimate goal of absolute/complete freedom for the farmers and also the related enterprises, Shetkari Sanghata welcomes the farm laws recently enacted by the government.

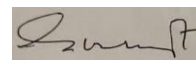
Yours Sincerely,



**Govind Joshi ,  
Executive President,  
Shetkari Sanghatana Trust.**



**Lalit Patil Bahale,  
Executive President,  
Shetkari Sanghatana Trust.**



**Gunvant Patil,  
Secretary KCC,**

**Thursday, February 4, 2021**

**Addendum** If at all MSP and procurement is a statutory instrument, (it should not though), it will be wiser to put a time restriction for it, and distribute the 2 lakh subsidy funds among states (BPL proportions may be) and ask them to purchase foods that they think fit for their populations. FCI and central purchase have to go now.