



## Swaraj To The Kisan

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(This editorial is based on the article "Swaraj To The Kisan" which appeared in "The Indian Express" on 14<sup>th</sup> March 2019. The article talks about farmer's problems that has resulted from the government's inclination towards urban consumers and excesses of Essential Commodities Act 1955.)

Indian agriculture is confronted with high price volatility, climate risks and indebtedness. Since majority of farmers are small and marginal with declining and fragmenting landholdings, these uncertainties make them even more vulnerable and risk-prone.

Until recently the fragmented voices of farmers went unheard but this has changed considerably in recent times, people have begun to see problems from the agriculturist perspective, acknowledging their hardships.

However government tends to see farmers from a very narrow perspective and are driven from urban consumers' motive and often brings law that are at times detrimental to farmers. One such law is Essential Commodities Act, (ECA) 1955.

### Knowing the ECA

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- The ECA was enacted in 1955. The act provides for the control of production, supply, distribution, trade and commerce in any farm good deemed "essential" and "in the interest of the general public".
- The list of items under the Act includes drugs, fertilisers, pulses and edible oils, and petroleum and petroleum products.
- The Centre under the Act has the power to include new commodities as and when the need arises, and can take them off the list once the situation improves (in view of public interest).
- Once a notification is issued, anybody trading or dealing in a commodity, be it wholesalers, retailers or even importers are prevented from stockpiling it beyond a certain quantity.

- It protects consumers against irrational spikes in prices of essential commodities. The Government has invoked the Act numerous times to ensure adequate supplies. It cracks down on hoarders and black-marketers of such commodities.

## Farmer's Distress

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- Governments often confuse interests of "general public" with urban consumers' and have a huge tendency of putting their interest above everybody else which often stands in conflict with the interests of farmers.
- Governments by bringing any commodity in ECA or banning export through fixing a minimum price below which shipments couldn't take place infringes upon the commercial freedom of farmers and agri-businesses.
- **Indian agriculture today suffers from domestic investment in processing as well as backend procurement, grading, warehousing, cold storage and transport infrastructure.** These problems can only be solved by increasing farmers' household income.
- **Government's constant manoeuvring with supply side management creates an unstable environment for foreign investors.**
- Export ban measures makes India an unreliable and unpopular partner amongst its global peers, as policies here are governed more on public sentiment than on real economic grounds. Foreign markets are important as they serve as an alternative source of buyers for Indian farmers by providing better and competitive prices in case of an unfavourable domestic demand.

## Misplaced Orientations

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The pro-consumer bias which is built into official policy-making has been seriously called into question by the spectacle of farm distress over a long period.

These policies are pro-consumers and look at controlling prices from the general public perspective of controlling food inflation; however it results in restricted income and poor price realisation for farmers.

Prices play a key role in affecting the incomes of farmers, in the last two years inflation in agriculture has been much lower than overall inflation. The consumer price index (CPI) also shows that the rise in prices for agriculture has been much lower than general inflation in recent years.

Market prices for several agricultural commodities have been lower than those of minimum support prices (MSP) which reflects the unfavourable terms of trade against agriculture in the last two years.

**Any pro-farmer initiative does not deter governments to build buffer stock of any "essential" commodity, whether for the public distribution system or for**

**market intervention operations as long as it does not impinge upon the rights and the welfare of farmers.**

The government should trust the ability of farmers to increase production when prices go up, as the situation has vastly improved as compared to earlier periods.

Better seeds, agronomic practices, crop protection chemicals, machinery, and also rural roads, electricity, irrigation and communication infrastructure have reduced the supply response time to just the next season in most crops.

## **Way Forward**

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- Farmers should be given ample **rights to sell any quantity of their produce to anybody, both domestic and international and at any time.**
- **The Essential Commodities Act**, which has proven a disincentive to large investment in agricultural technology and infrastructure, should **be replaced with a modern statute that balances the interests of farmers and consumers.**
- A law should be formulated that restricts the powers of the Department Of Consumer Affairs or Director-General of Foreign Trade to impose curbs on any agricultural commodity at the slightest instance of price rise.
- **Only the Parliament should have the right to impose curbs on agricultural commodities** that too under exceptional circumstances of war or nationwide calamity as opposed to executive orders issued in "public interest".
- It is important to understand that the gains to individual producers who sell in tonnes/quintals far outweigh any losses to consumers buying in kilos and therefore there is a need to create balance between consumers and farmers.
- **Therefore, if the nation wants to uplift farmer's condition, it is important to give them the economic independence they deserve.**