**[On agrarian reforms](https://nation.com.pk/04-Dec-2020/on-agrarian-reforms" \t "_new)**

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Indian farmers are out on the streets staging a massive protest in the capital. At the centre of the controversy are the three agricultural reform laws which aim to liberalise the agricultural economy. The government claims the laws to be a watershed moment for the farmer community while the opposition and many activists have labelled the same as a death warrant for the farmers. Briefly, The Farmers’ Produce Trade and Commerce (Promotion and Facilitation) Act 2020 gives farmers the choice to sell their produce anywhere and by any means and not just in the governments’ approved markets. The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act 2020 permits farmers to enter into contracts with anyone, including a company, and sell them their product for a fixed period of time according to the mutually agreed terms. The Essential Commodities (Amendment) Act 2020 has removed food items such as potatoes, cereals, pulses, edible oil seeds and oils from the list of essential commodities which means unless there is a dire circumstance like a war or famine, these commodities will not be considered under the essential commodities list and can be hoarded or stored. Farmers and activists fear that these laws are merely testing the waters and eventually the government will eradicate state-controlled markets and MSP (Minimum Support Price) policies. Therefore, the evil should be nipped in the bud and these reforms must be resisted at every cost.

The cumulative effect of these laws is to loosen control around the sale, pricing and storage of farm products. The laws will liberalise the market that is marred with regulations and red tape and increase freedom of ‘choice’ of the market players. The laws will also erode the protectionist measures that have kept farmers immune from the flaws and benefits of the free market. The debate for and against the aforementioned reforms boils down to whether a person leans toward state regulation and protectionist policies or liberalisation of markets where the fate of the actors is decided by the market forces. India has been leaning more and more towards liberalisation for the past few decades and has arguably reaped its benefits. Therefore, the people who support state regulation and control are the ones who need to put up a strong case for why the industry of agriculture should be treated differently from other industries? Why are protectionist policies that have failed in other industries supposed to work in the agriculture sector? And why do the advantages of protectionism override its disadvantages in the agriculture sector? A closer look reveals that the industry of agriculture under protectionist policies, like every other industry, suffers.

Protectionist policies like MSPs will lead to inefficient allocation of resources. The whole purpose of the MSP is that it forces the government, using taxpayers’ money, to buy products for more than its market price. For example, if the price of sugar according to the free market is rupees hundred and it costs farmer rupees one hundred and ten to produce it, MSP of rupees one hundred and twenty will allow farmers to make a profit of ten rupees. However, the policy will lead to resources being allocated inefficiently. If the market price of a product is less than the cost of production, it means that the product should not be produced in the first place. MSP will create an artificial profit, incentivising the farmers to keep on producing an inefficient product. Additionally, protectionist policies will increase the price of the end product. Since, the government has put in place mechanisms which allow production of inefficient products, the market price of the end product will be more than it otherwise would have been. The government can subsidise the end users as well, however, this will put double burden on the taxpayers. Moreover, protectionism will hinder innovation and remove the incentives essential for the process of ‘creative destruction’ to take place.

The reform laws are a step in the right direction. These will increase the choices of a farmer by enabling him to sell his produce to different buyers thereby enhancing his chances of getting the favourable remuneration. The laws will also reduce the transaction costs by decreasing the dependence of farmers on the middle men who have emerged as a class of exploiters. The land holding has shrunk in size in the subcontinent and the overwhelming majority of farmers own a chunk of land that is not economically feasible for agriculture. These negligible landholdings hamper the capacity of the farmers to get the right seed and suitable machinery. Contract farming might be a possible way out of this rut the farmers have been stuck in. Big corporations will bring in the money and ideas that might put a fresh breath in an otherwise dying industry. Therefore, the only issue with these reform laws is that they have not been liberalised enough and economically inefficient policies like MSPs have not been touched due to fear of backlash and political fallout.