Farm Acts 2020: Farmer Unions and the Logic of Survival

9 October 2020 Vatsalya Srivastava

The commentary around any policy change in our country, unfortunately, seems to boil down to who understands India better. The resulting discussion often devolves into adversarial claims about the ‘real vs. imagined’, with all sides, of course, claiming the real for themselves. Hence, this article intends to focus more on the drivers of the protests rather than forecasting the possible outcomes of the policy change.

It is always tricky to identify if a protest is a genuine expression of discontent or is spurred on by vested interests. The moral appeal of the former is just as obvious as the potential consequences of ceding the moral high ground in any protest movement. Consequently, it is no wonder that a lot of time and effort is spent in establishing and questioning the spontaneity of any protest.

In the ongoing protests, it is quite evident that organizational structures like farmer unions pre-existed the introduction of the new laws. If it is the case that the unions were helping to amplify farmers’ voices, there should not be any concerns. However, given the problem inherent in empirically verifying this, it is useful to evaluate if the incentives of the unions as an organization, align with those of their members. This article will focus on the incentives facing the unions in addition to addressing some of the other objections that have been raised against the farm acts.
The Logic of Survival

The average Indian farmer will almost always have less bargaining power in dealing with the government, a group of traders, or even a single large trader. Therefore it makes perfect sense for farmers to organize themselves into unions to make sure that they are not shortchanged. However, once a union comes into existence, the incentives facing its administrators and leader need not always align with those of their members. A simple way to understand this is to think of the Union of India. It is easy to see that just because we elect our leaders does not mean that they always act in the best interests of each individual. Our leaders and administrators are often explicitly blamed for acting inimically to our interests to preserve the structure that keeps them in power.

The average Indian farmer will almost always have less bargaining power in dealing with the government, a group of traders, or even a single large trader.

The potential divergence in the interests of unions and farmers does not exactly explain the protests. To appreciate what might drive unions to drum up protests against the new farm acts, it is important to appreciate the tradeoff at the core of any collective. Every farmer gives up the possibility of individual gain for collective benefits. For instance, the farmer would not sell to a trader who offers him a higher price, and in return, the union would make sure that he does not have to sell at a low price at a later date. Now, this tradeoff is simple enough to make when farmers have few traders who might offer them a higher price. This is why the APMC mandi system lends itself very well to organizing farmer unions. There are few buyers in concentrated pockets offering similar prices and these are the only players besides the government that unions need to concern themselves with. But this rather simple market dynamic might be overturned once there are more buyers, especially with the introduction of contract farming.

The options for an individual farmer might increase significantly, making the tradeoff required to stay in a union less lucrative. This would be especially true of more skilled, large farmers located in more prosperous areas. If there is indeed market expansion, unions would not only lose members, they will likely lose their most prosperous members first. The diminished unions might see some improvement in terms of their leaders paying closer attention to their constituents. But the loss of members will impoverish the unions and will limit their claims of representing farmer interests.
It, therefore, makes a great deal of sense that people who directly or indirectly benefit from the organizational structure of these unions have a vested interest in amplifying farmer discontent. The widespread support for the protest from the most prosperous agricultural parts of the country provides further credence to the proposition about the role played by farmer unions in stoking the protests.

The widespread support for the protest from the most prosperous agricultural parts of the country provides further credence to the proposition about the role played by farmer unions in stoking the protests.

Addressing the Paradox

Yogendra Yadav recently authored an article in one of the online news websites insinuating that some of the most prominent agricultural economists do not understand agriculture in India. In that article, he argues that farmers are responding to government signalling. However, I identify their response specifically as a minimax strategy. Nonetheless, he does make an argument that needs to be addressed. He points, citing data from economist Himanshu, that only a quarter of the agricultural produce is sold through mandis and so the recent laws are trying to free a market that is already free. The flaw in this argument should be obvious to anyone who has tried to buy anything illegally. For instance, if Gujarat legalizes the sale of alcohol the alcohol consumption in the state might not increase because of the already existing black market. But, legalizing the trade will very likely reduce the costs involved in the transaction. The local supply chain will improve as the local law enforcement machinery will not have to be greased so heavily and often. New entrepreneurs will enter the market, as they will no longer have to operate outside the law. This will very likely increase local production and create employment in the formal sector. ` There is ample evidence for such a transformation in the country. And yet, there are always people who seem to put the state at the centre of their proposed solution to persistent problems – the same state that they happily condemn for its many failings. Perhaps, some of this pushback is driven by a long-standing ‘brahminical distaste’ for private business and markets. But most of it seems motivated by a flawed understanding of the disjuncture between politics and markets.

The recent announcement by the government on increasing MSP should provide some evidence that despite the Farm Acts of 2020 freeing up the markets, they do not absolve the government of democratic pressures. This will not address the fears of every individual farmer (hence minimax!) or a union member. But, it is an attempt to signal that the security net of MSP, to the extent that it helps, will not disappear anytime soon.
These farm acts may not accomplish all that the government expects them to. The Indian government has for long tried to create a pseudo-market such that they can control both the actions of and outcomes for farmers. And yet, we still have many many poor farmers with lower productivity levels than even their brethren in the rest of South Asia. It is about time that we did our farmers the courtesy of allowing them to participate in markets as the free entrepreneurs that they have always been.

The government can and still intervene in exceptional cases. But government intervention would be the exception, not the norm. Therein, possibly, lies the resolution of the paradox.

**************This is Part Two of a Two-Article Series by the author.**************

*Read Part One [here ->]*

**Disclaimer:** The views expressed in this article are of the author solely. TheRise.co.in neither endorses nor is responsible for them.

About the author

[Vatsalya Srivastava](#)

Vatsalya Srivastava is an Assistant Professor in the Jindal School of Government and Public Policy at O.P. Jindal Global University, Sonepat, Haryana.