

Voluntary Report – Voluntary - Public Distribution

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Report Name: Indian Government Withdraws Three Farm Laws Following Months of Protests

Country: India

Post: New Delhi

Report Category: Agricultural Situation, Agriculture in the News, Policy and Program Announcements, Agriculture in the Economy, Grain and Feed, MISC-Commodity, Sugar, Trade Policy Monitoring

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Report Highlights:

On November 19, 2021, Prime Minister Narendra Modi announced that the government will withdraw the three agricultural laws enacted in September 2020. On November 29, 2021, Parliament approved a bill withdrawing the three laws. Meanwhile, protesting farmers, galvanized by their success, have made further demands including legalizing the minimum support price (MSP) market intervention, among other demands. On December 9, 2021, the Indian government gave written assurances to the protestors' additional demands and agreed to set up a committee to review MSP legalization.

OVERVIEW:

Following a year-long agitation by protestors in northern India, on November 19, 2021, Prime Minister Narendra Modi announced that his administration will withdraw the three 2020 agricultural market reform laws. The required, formalized process will be completed in the current Parliament session. Notwithstanding his continued defense and advocacy for the three laws as major market reforms that benefit India's farmers, PM Modi stated in his address to the nation¹ that, "Despite our efforts, we could not convince some farmers even though only a section of farmers was opposing." On November 29, the bill withdrawing the three laws was approved by Parliament and was subsequently signed for approval by the President for the formal withdrawal.

Farmers Up the Ante, Raise New Demands

With the government's decision to withdraw the laws, the protesting farmers have raised several additional demands, which include a new law that legalizes the minimum support price² (MSP) market intervention for agricultural products, withdrawing police cases against protesting farmers, and compensation to families of farmers who died³ during the agitation, among others. Of these, the demand to legalize and enshrine MSP⁴ as law is gaining support across the political spectrum, including the farmers who were in support of the farm laws and various lawmakers. Many national and regional opposition parties who supported the protests have also aligned with the farmers' demand to legalize the MSP.

Farmers Suspend Agitation After Government's Written Assurance

After negotiations for additional demands, protesting farmers unions agreed to suspend their demonstrations and withdraw from the Delhi borders on written assurance from the government. On December 9, 2021, the Secretary of Agriculture, Ministry of Agriculture and Farmers Welfare, wrote to the *Samyukta Kissan Morcha* (SKM), the farmer group spearheading the protests and agreed to their demands. Among them, the Indian government agreed to include a SKM representative to participate in a government-established committee to review the MSP system, which has yet to be formed. Media sources reported that on December 11, protestors had left their camps at the major protest sites on the Delhi border. Meanwhile, the leaders from protesting farmer unions reiterated that they have only suspended the protests at the Delhi border and will continue to monitor the progress of the government assurances to their specific demands, and resume demonstrations if warranted.

¹ See: [The Print](#), November 19, 2021.

² The Indian government provides price supports for 25 products at an MSP, including most grains, oilseeds, and cotton. The MSPs are based on the recommendation of the Commission on Agricultural Costs and Prices and are linked to the cost of production.

³ Media reports indicated that several farmers died during the protests due to various health reasons, including weather exposure (winter cold), COVID-19 complications, and accidents.

⁴ Legalizing the MSP would make it statutory that the both the Indian government and private buyers would be required to pay producers minimum floor prices at a fixed government-established rate when commodity prices drop below the fixed rate.

What Comes Next?

While no government actions are likely until 2022, farmer protest groups have repeatedly requested a transparent mechanism for MSP that legally⁵ ensures sufficient price returns for the 25 field crops that comprise the current list. However, various experts have reported⁶ that the farmers' demand for MSP legalization would be challenging, if impractical to implement even for the existing 25 MSP crops. Currently, government procurement through the MSP ensures access to basic food staples rice and wheat for poor citizens, creates a buffer against possible food shortages, and maintains remunerative prices for Indian farmers.

Historically, the market intervention program has been heavily utilized by the government for rice and wheat and ensured implementation for sugarcane procurement by the sugar industry, with farmers from the northern India region being major beneficiaries. Occasionally, the government has implemented an MSP procurement intervention for cotton, pulses, and oilseeds when market prices slide below the MSP. Yet, in September 2021, the Indian government increased the MSP on select *rabi* (winter season) crops for the 2021/22 Indian crop year, including lentils, rapeseed, mustard, and chickpeas to encourage crop diversification and displace wheat (See: USDA GAIN [IN2021-0129](#)). Despite the MSP increases, farmers have still favored planting wheat above other crops. Like other commodities within the MSP system (e.g., rice, sugarcane), wheat farmers have benefited from a high rate of return, and stable market pricing due to the MSP procurement program.

For more information on the farm laws, please refer to USDA GAIN [IN2020-0184](#) and [IN2020-0136](#).

Attachments:

No Attachments.

⁵ Legalizing the MSP would likely require private buyers to purchase at the procurement price or include mechanisms that compensate farmers for private sector purchases below the minimum support price.

⁶ See Hindustan Times, [Demand for legally guaranteed MSP could put fiscal strain, experts warn](#). Accessed December 10, 2021.