Artha – Journal of Social Sciences
2022, Vol. 21, No. 3, 17-44
ISSN 0975-329X|https://doi:10.12724/ajss.62.2

Regulate or Not? Retelling Kerala's Experience to Review the Neoliberal Agenda behind Agricultural Reforms in India

Arjun S. Mohan*

Abstract

This paper is an analysis of the controversial reforms introduced in the agricultural market of India in 2020. The researcher does a comprehensive review of these reforms using data obtained from Kerala and interlinks the components in the existing literature to proceed for a macro-level examination. This is to critically understand the policy dimensions of the laws introduced and their subsequent repeal. The background and evolution of market-mediated reforms in the agricultural sector, the immediate drive for a new set of laws, the question of middlemen in the market, the structural inequalities, and the resultant power asymmetry in Indian rural society are addressed. There are also informed suggestions for possible ways to guarantee a Minimum Support Price (MSP). More than a systemic critique of the newly introduced (and later repealed) farm laws, the real problems in the agricultural market are placed to check the changing direction and agenda in market reforms.

Keywords: Agriculture, Kerala, Middlemen, MSP, Reforms

* Department of Politics, Christ college (autonomous), Irinjalakuda, Thrissur, Kerala, India - 680125; email: arjunsumo@gmail.com

Introduction

In the first week of June 2020, the central government of India released three new ordinances that proposed some radical changes in the agricultural market of India. On September 20, the parliament passed the bills despite strong protests from the opposition parties. The Farmers Produce Trade and Commerce (promotion and facilitation) Act redefined the 'trade area' and relaxed several barriers in the trade between the states. The Farmers (empowerment and protection) Agreement on Price Assurance and Farm services Act encouraged contract farming and arranged protective provisions against exploitation. The third one, the Essential Commodities (Amendment) Act, was about withdrawing the government from restricting the stock limit of specific essential commodities in the market (Mohan A. S., 2020). In November 2021, the amendment was repealed following massive protests from the farmers.

According to the central government, the primary aim behind these amendments was to double the farmers' income by 2022. The move was also linked to the 'One India, One Market' project. After forwarding the ordinance, Narendra Tomar, Minister of Agriculture and Farmer's Welfare, Govt. of India rhetorically declared that it was a 'historic day' and farmers were going to get 'freedom' through these changes (Times Now, 2020). Narendra Modi, Prime Minister of India, stated that the farmers would be the 'biggest beneficiaries' of new changes and the introduction of reforms was based on pure intentions (New Indian Express, 2020). The farmers were reluctant to accept the new laws terming them as pro-corporate reforms, and massive protests broke out in different parts of the nation. The struggle was resilient and lasted for more than one year, eventually forcing India's government to repeal all the reforms.

Methodology

In the context of deregulating agendas, Kerala farmers' experience in the early 1960s seems to be a notable account of how private traders and big mills interacted with the farmers in a free-market ecosystem. The research was conducted among farmers in *Kainakary* village of the *Kuttanad* region, located in Alappuzha, a southern district in Kerala. As the laws invoked massive and unmatched protests from farmers across India, the importance of stakeholders' perception towards the market is recognised in implementing any new reforms in this sector. Therefore, an experimental attempt is employed to use the oral accounts given by farmers to narrate the history of the paddy market and its subsequent regulation in Kerala. Oral narratives of history are not taken as factual accounts of past incidents. Instead, it is used to navigate through their understanding of past incidents and thus to outline how their consciousness is developed in a particular direction for or against market regulation. For this, elderly and middle-aged paddy farmers were identified as the target population. The building blocks of the story were obtained through semi-structured interviews with five farmers of different social locations, who were the key informants in the study. Unstructured interactions with farmers' groups during their leisure time validated the accounts obtained from key informants and also helped in understanding their stance on deregulating the market. Both the policy drafts and subsequent discussions in secondary literature are used to explain the provisions of the reforms. This section relied heavily on sources such as the *Economic and Political Weekly* and *The Hindu*, which were closely reporting and publishing content about farm laws. The research tries to interconnect the oral narratives obtained from the field with the relevant criticisms against the provisions in the reforms. The oral history of market regulation as narrated by farmers, highlights the stakeholders' perspective towards market reforms, and this interlink is central to the interpretations made in this study.

India as an Agrarian country

India is the largest producer of several fresh fruit varieties and the second-largest producer of the major food grains, rice and wheat. In 1950-51, the agricultural sector contributed around 45% of the Gross Domestic Product (GDP) of the Indian economy. The range of workers dependent on the sector was close to 70% of the total workforce. After 70 years, even though the GDP share had decreased to 16%, almost 50% of the workforce still depends on agricultural activities as their livelihood (Financial Express, 2018). So, the Agricultural sector continues to be the backbone of the Indian economy.

During the colonial period, the land relations in India's agricultural sector reflected a feudal character, and most of the cultivable land was in the hands of landlords. Even though a transition to the capitalist mode of production began under British rule, it happened in a few regional clusters only. As (Bandhyopadhyay, 1993) sums up, 'overall effects of such commercialisation were not penetrative enough to affect the basic character of the traditional sector'. Thus, a feudal hegemony in land possession was retained in most regions, and the peasants who tilled in the land belonging to socially and economically marginalised sections remained landless after gaining Independence. This scenario prompted the state to resort to radical land reformations. However, the land reforms were executed unevenly across the nation and were not wholly successful. The nexus formed between international and Indian capitalists with local-level landlords and their influence in the electoral context of India forced the Congress-led central government to dilute its initial aspirations of radical land reforms (Alavi, 1975). Alavi explains how the Indian agenda in the agricultural sector deviated from its focus on structural changes in rural society towards emphasising on technological solutions without affecting 'existing class structures'. This demand for technological solutions necessitated the involvement of 'colonial bourgeoisies' (international capitalists) in the agricultural sector. Besides this, to protect themselves from the implementation of land reforms, local-level landlords allied with the Congress government who were controlled by the 'indigenous bourgeoisies' (or Indian capitalists). Subsequently, a new alliance of landlords with Indian and international capitalists emerged in the countryside (Alavi, 1975). These developments and the resultant dilution of land reforms in India affected the future prospects of agricultural cooperatives. Daniel Thorner outlined two necessary 'preconditions' for the success of cooperatives in Indian villages – Reducing the power of 'village oligarchs' (or local-level landlords) and a government working like an 'instrument of the ordinary people' (Thorner, 1962). The class alliance between the local, national, and international elites and the subsequent dilution of land reforms withered away the above-stated preconditions and consequently weakened the focus on cooperatives.

As a result, there happened to be a considerable percentage of small and marginalised landholders in the agricultural economy, along with a significant number of landless agricultural labourers. Thus, land-based inequality persisted in India even after several redistribution attempts (Sahay, 2020). As Thorner formulated, a 'built-in-depressor' began to reflect in the agricultural economy (Thorner, The Agrarian Prospect in India, 1956) cited in (Sahay, 2020). The landed rich had no interest in investing, and the small farmers had no capital with them. Eventually, the small farmers relied on the wealthy old landlords for investment, and the dependence continued.

One of the significant challenges of independent India with its increasing population was food insecurity. The demand for increased production paved the way for the green revolution in 1966. Thence, the adoption of modern technology and mechanisation in agriculture was introduced in full scale. High Yielding Variety (HYV) seeds, pesticides, and fertilisers were used. In the post-green revolution phase, the agricultural sector witnessed a boom in production and yield. But, adverse terms of trade and supply along with debt traps accompanied by the exploitation of private traders, lead to stagnation followed by agrarian distress.

History of Agrarian Reforms in India

The distress in agrarian relations and adverse terms of trade demanded an institutional mechanism. The Agricultural Produce Marketing Regulation (APMR) Act introduced in the 1960s was a way out of this. The Act had its roots in the 1938 model bill formulated under the Royal Commission on Agriculture recommendation (DMI). It was the official start of regulated markets in the Indian agricultural sector. Agricultural Produce Marketing Committees (APMC) were formed and the APMC yards were prescribed as the 'trade area' for farmers and buyers. Thus, the APMC yards, commonly known as '*mandi*' (marketplace) became the farm gate where farmers would get a reasonable price under government supervision.

Eventually, the provisions in the Act became outdated and certain requirements turned into constraints in the trade process. Hence, the 40-year-old Act was supplemented by the model APMC Act in 2003 based on certain suggestions of an expert committee in 2001 and the inter-ministerial task force in 2002 (GoI, 2013). The changes aimed at redefining the role of APMC and empowering the state agricultural boards in grading, standardising, and certifying the products. As agriculture was a state subject†, many states did not adopt reforms. Even APMC yards or '*mandis*' are not established in every state.

Later, a committee of state ministers was formed in 2010 to encourage the states to adopt the new reforms of the model Act. Attempts to empower the 'rural haats'‡, the farm-gate where most poor farmers sell their marketable surplus was also initiated (GoI, 2017). Rural haats were aimed to be upgraded as Gramin Agricultural Markets (GRAMs) as a viable alternative to far-located *mandis*. The latest development in the agricultural market was the introduction of eNAM (National Agricultural Market) portal in 2015, a trading website that unifies the national market for agricultural commodities. More than 170 lakhs of farmers have traded through this portal (eNAM, 2021).

In a comparative analysis with the western nations, India seemed poor in revising the declared policies in the agricultural sector. For instance, the United States of America has been engaging with farm legislation every four years since the enactment of the Agricultural Adjustment Act in 1933. Most European nations have adopted a standard agricultural policy that ensures proactive state support for this sector. A quick look at the agrarian reforms in India points out the absence of timely comprehensive revisions which were imperative for the prosperity of farmers. When the policymakers in India advocate the same neoliberal agenda for market reforms that the west follows, this comparison in terms of revising policies and special emphasis given to agricultural markets is noteworthy.

Why Reforms?

Since the 1980s, Agriculture has not witnessed a distinct upward trend. While calculating the country's total investment, the agricultural sector's share has been on a decreasing trend since

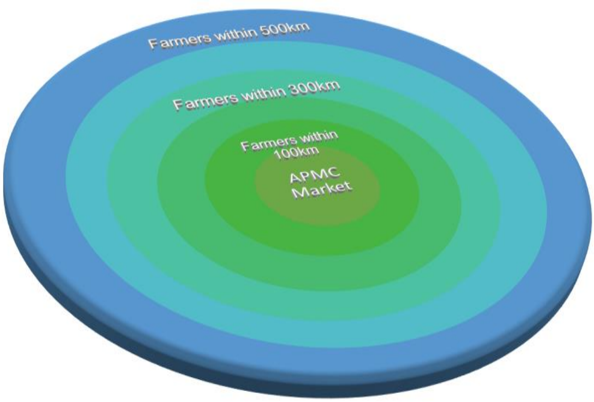
---

† The Indian constitution had envisaged separate lists for legislating in specific subjects. Agriculture falls in the purview of states (or provinces) and thus, the union government has constitutional constraints in making legislations in this subject.

‡ Haats are open-air markets that serve as a trading venue for local people in rural areas.

Independence. While it was 18% in 1950, it had fallen to 7.6% in 2018-19 (Dhar, 2020). Apart from the question of investment, the deteriorated condition of markets had become the biggest adversary of Indian farmers. Though the APMC system was introduced for the farmers' benefit, it gradually turned into an exploitative regime. New entrepreneurs were obstructed by a 'License Raj' § and the farmers were forced to pay heavy rent or tax. For new traders, it was mandatory to put a shop inside the *mandi* itself. Usually, it is harder to find a new place there and if there is a space, political parties or traders' associations might act as barriers to their entry. Infrastructure development was progressing very tardily. Lack of transparency and a long supply chain further negated the quality of this system. Due to unwanted intermediaries, the farmers' share in the value chain was reduced to a peripheral margin (DMI).

The major limitation of these *mandis* was their proximity. According to the Standing Committee Report on Agriculture (2019) chaired by Hukmdev Narayan Yadav, APMC yards were not implemented in a 'true sense' (Yadav, 2019). The approximate area served by an APMC market or *mandi* is 496 sq. km while the National Commission of Farmers (2006) led by M.S. Swaminathan recommended this to be not more than 80 sq. km. (Swaminathan, 2006).



§ Wikipedia defines License Raj or Permit Raj (Raj in Hindi means 'rule') as the system of licences, regulations, and accompanying red tape, that hindered the set up and running of businesses in India between 1947 and 1990.

Figure 1: The average proximity of APMC yards or *mandis* in India

Farmers belonging to the blue part of figure 1 are the most vulnerable in this scenario. Lack of proximity to *mandis* was affected mainly by small and marginal farmers. Their marketable surplus and its disproportional transaction cost forced them to sell their produce outside the supervision of the government at lower prices than the prescribed Minimum Support Price (MSP). The symmetry is rather simple; as Yadav observed, the APMC markets are not established in a 'true sense'. If the previous governments could arrange a market for every 80 sq. km as Swaminathan recommended, middlemen and private traders' exploitation rate would be much less (Mohan A. S., 2020). Due to these adverse agricultural market conditions, the reforms were imperative with increased investment in infrastructure and other comprehensive solutions to provide competitive prices for the farmers.

Kerala's trajectory toward regulated markets

Purushotthaman, a grandfather of four, who has been a farmer since his childhood, recalled the phases of changes in Kerala's paddy market since the 1960s. The first three decades of independent India saw many successful and unsuccessful attempts at redistributing land. Agricultural land was also redistributed to the workers from landlords. As one among the states that nearly completed the procedures, Kerala was puzzled by the radically decentralised cultivating methods. According to him, this was the starting point that necessitated the government's intervention in the market.

Mohanadas, a retired school clerk who also worked in farmland remembers how the middlemen in a deregulated market deceived his family. After the land redistribution, the trading was also decentralised and the farmers engaged in the trade as individual entities. He still remembers how difficult it was for his family when a middleman cheated them for more than ten thousand rupees. Likewise, there were several reported cases of cheating and exploitation by middlemen. The role of a proactive state became necessary, and the government intervened by introducing an MSP system for paddy. Though the chances of exploitation came down marginally, the demand also fell down. He recalls. This situation forced the farmers to sell their produce below the government-prescribed MSP. The state government was again convinced to intervene and arranged a channel of engagement between the farmers and traders where MSP was a guarantee. Later, the financial transactions were also facilitated by the state. As a retired clerk and literate farmer, his way of narrating past events was well-structured and informative.

Sadanandhan, a Farmers Produce Organisation (FPO) representative, narrates how the middlemen and big mills exploited the farmers. After the redistribution of land, rice husking was managed by the farmers themselves in the initial phase. Later, to make use of technological innovations, farmers began to send their produce to modern rice mills in far-off places like Balaramapuram, Perumbavoor and Kaladi. Some of the major mills and traders grew big into famous companies and brands[**]. Eventually, the smaller ones declined completely and the bigger ones established a monopoly. They began to fix the price together and assigned their local representatives in rural villages to trade with the farmers. Due to this obscurity in the supply chain, it is not clear whether the big mills or middlemen made more profit from exploiting the farmers. This seemed a convincing narrative of how a 'middlemen strata' was formed in the agrarian market (Mohan A. S., 2020). The bargaining capacity of farmers was weak and they were not given remunerative prices. Sadanandhan's account stands as a real example of structural contradictions and resultant unequal bargaining capacity between farmers and traders in a free market setup. According to him, FPOs or cooperatives emerged as a perfect solution to this problem. Along with the intervention of the state, farmers' collectives developed as a viable alternative to early landlords' powerful position in bargaining with private traders or big mills.

Vilasini, the only women farmer from whom the researcher could get some material, was very stubborn against any move to deregulate the market. She seemed very pessimistic about that period in history during which all the farmers in her neighbourhood

---

[**]*Pavizham*, *Keerthi*, and *Mary Matha* are examples of big mills which later became famous brands. *Pavizham* is still celebrated as a top rice brand in Kerala.

were forced to negotiate their prices to less than half of the expected price. She constantly repeated that big mills are only 'money-minded'. She also cited a number of events of cheating by middlemen in the past.

Thus, Kerala farmers still remember their grimy experience with middlemen and bigger mills. The peculiarity was that regardless of their political affiliations, the farmers denounced any model of deregulated markets soon after being briefed with the provisions of new ordinances. Sabu, a farmer who cultivates more than two hectares of land was reluctant to believe the researcher when introduced about new reforms. He who was strongly influenced by far-right political narratives hailing the central government, could not believe that there was a move to deregulate the market. The early material experience of farmers in a deregulated market system reminds them to fight against any kind of move that may liberalise the market ecosystem.

Inside the agrarian reforms of 2020

In short, The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act (FPTCA) deregulated the market. Firstly, the trade area was redefined as anywhere inside or outside the *mandis*. Any levy or fine for those who trade outside the *mandis* was cancelled. Secondly, interstate and intrastate trade barriers were removed. Farmers could sell their produce anywhere in India depending on the demand. Thirdly, mandatory licensing for e-trading was annulled. Other e-trading norms were also diluted. This was aimed at encouraging new-age agri-startups.

The Farmers (Empowerment and Protection) Agreement of Price and Farm Services Act (FAPA) was an encouragement for contract framing. The law provided a protective framework for this. Farmers could engage in contract farming with any private trader under a legal guarantee. A written agreement should be signed between both parties and mention the price assured in the business. The law also mandated full payment at the time of delivery itself. This was in concern to protect the farmers from being cheated as there are several instances of traders fleeing away after having the produce. Another major provision was that a judicial appellate body was assigned for any dispute settlement and it should be done within 30 days. In principle, the law aimed at protecting the farmers in a free-market system where chances of exploitation are high. FAPA also foresaw unexpected crop losses due to natural calamities or pest attacks and included provisions against liabilities from the same.

Essential Commodities Amendment Act was the most controversial among the reforms as it was the critical change that could encourage large corporates to step into the sector. The proposed ECA relaxed government control over stocking certain listed essential commodities like cereals, pulses, edible oil, onions, potato, and others. The law restricted the government from controlling the stock limit of such essential commodities only in unexpected situations like war, famine, natural calamities, or extraordinary price rises. In short, traders or processing units were allowed to keep unlimited stock of agricultural commodities. The central government of India believed that the combination of these three new reforms would boost business in the sector and subsequently increase farmers' income. The researcher believes that a thorough analysis of the combination of these policies in tandem with the historical experiences of the early free-market could provide a near-accurate prediction of its pragmatic manifestation.

First of all, the proposed changes empower the farmers with more than one choice. They were not ought to sell their products through the *mandis* (or any government agency) itself. Likewise, it was not mandatory for any private trader to buy from the same farmers every season. The 'choice' was equal to both of the parties. In due course, the regulated market system will weaken, and the private market will be the only option left for the farmers. Here, Kerala's early experience reminds us of how the big mills formed a cartel themselves and monopolised the market in the absence of a proactive government. In such a system, the big private players always have a 'choice' to buy or not to buy. As the farmers have no other option left, they will probably sell their produce at any cost offered by the buyer. What the farmers expect is a guaranteed price for their produce and each commodity's MSP announced and revised every year is the minimum price guaranteed by the government. As (Singh & Bhogal, 2021) points out, this provision of MSP is not an independent factor in the process. It is correlated with the Public Procurement System (mostly *mandis*) and the graded quality of the products. Thus, any attempt to disturb the MSP regime will have serious implications in India's food security. Likewise, unless a time-bound procurement happens soon after the harvest, quality of the product may decrease. Hence, the price of the products will also go down. So, in practice, chances for dilution of MSP were higher with the new reforms than the government's expectations.

Another area of concern is the quality measuring mechanism. As the researcher understood from Kuttanad, there is different grading for the products and different prices corresponding to the grades. Rice with better quality receives more value than rice with lower quality. Under the absence of government supervision, the only authority of a quality-checking mechanism is the rice mill owner or the buyer. The government specifies a permissible limit of broken, damaged, or discoloured grains and the maximum moisture content (GoI, 2020). However, there is a possibility for private traders to trick the farmers if they bring their own quality measuring mechanisms.

Though the FAPA in draft provided a judicial provision of protection, there is no direct supervision of the government in the business. It is not practically feasible for a low-income farmer to be stubborn in approaching a judicial body against a wealthy private trader who might hire a proficient lawyer. As most farmers have no storage facilities of their own and are liable to pay back their debts, swinging around a judicial dispute is not a pragmatic decision. Under a strong public conscience regarding the quality of the judiciary, the chances of a farmer approaching any judicial body are again lower (Mohan & R, 2020). In a personal interview with Vijoo Krishnan, joint secretary of All India Kisan Sabha (AIKS), he pointed out chances of corruption as the head of such a district-level judicial body would probably be a bureaucrat. Here, both the farmers and traders have an equal choice. But, the farmers are disadvantaged by a weak bargaining position.

The ECA 2020 could restrict the state from any intervention in the stock limit of specified commodities. Eventually, hoarding these commodities can result in increased demand and a subsequent price rise. According to the ECA 2020, either a 'hundred percent increase in the retail price of horticultural produce' or a 'fifty per cent increase in the retail price of non-perishable agricultural foodstuffs' could have been considered an 'extraordinary price rise' (Ministry of Law and Justice, 2020). So, what happens if there is a 40 percent increase in the price of non-perishable stuff and a 90 percent increase in the price of horticultural products? This issue remained unaddressed, and these formulations in the law (if it was not repealed) could have challenged India's food security.

Finally, these reforms jointly reduce the federal powers of the state governments. Pritam Singh had described how deeply these laws engage in the federal powers of the states. He staunchly criticises the Essential Commodities (Amendment) Act 2020 by terming it as the 'most devastating attack so far on federal rights in agriculture' and takes it as an example of the coexistence of centralisation and privatisation (Singh P. , 2020). He also picks out specific phrases in section 12 of FPTCA 2020 and section 16 of FAPA 2020, which are very instructive in their nature. Likewise, cancellation of market charges, including cess or levy, could also affect fiscal federalism, especially concerning states like Punjab and Haryana.

Behind the Weak Bargaining Position

The fundamental reason behind the weak bargaining position of farmers is the unequal contract with the trader. This relationship has two kinds of asymmetries: power asymmetry and information asymmetry see (Manjula, 2021) and (Kumar, 2021). Both of these are contributed by several factors like possession of capital, lack of transparency, accessibility to the judiciary, and experience in the market. The structural contradictions as mentioned earlier are the reasons behind these inequalities.

From the early experience of Kuttanad farmers, the structural contradiction and the resultant power asymmetry in free-market agriculture are pretty evident. The traders are always few, while farmers are many. This difference in proportion lets the traders form cartels and decide on a lower procurement price. Most farmers are often desperate to sell their crops as soon as possible. Only big landlords and capitalist farmers would have good-condition storage facilities. The rest of the farmers often store their produce either at a rented building or in common places after the harvest. The seasonal climate changes could adversely affect their products. So, it is not feasible for a farmer to bargain with the price if the trader adopts a wait-and-watch strategy. Apart from this, a good number of farmers rely on non-institutional sources to fund their agricultural activities. The fear of compounding interest might force them to sell the products earlier as possible.

In the absence of a state mechanism, the quality checking instruments would probably be owned by the trader. If the traders tamper with the instrument, they become the sole authority of quality checking. Thence, the uniform specifications and corresponding price announced by the state will be diluted. The field study conducted by Manish Kumar in the state of Bihar (after the state government deregulated the agricultural market) noted such a mismatch in price declared by the state and the price received by farmers from rice mill owners (Kumar, 2021). Kumar found out that mill owners were the sole authority in quality checking and reduced the price by pointing out moisture content and the presence of foreign materials in paddy. Both farmers Mohandas and Sabu from Kuttanad raised a similar concern about grading paddy if the announced reforms are implemented.

Information asymmetry is another area that the policymakers of the new reforms had neglected entirely. The farmers in India mainly belong to lower castes or classes who have very little access to market information. Lack of transparency in trade, disadvantage in market intelligence, and technical illiteracy are certain factors that contribute to information asymmetry. First of all, the farming community need not be well-versed in following current affairs with diligent observation. The price signals are often mouth-spread or are announced from *mandis*. Without such a robust mechanism, manipulating farmers with misinformation about prices is possible. *Mandis* also act as a source of reliable data by collecting and publishing information about market arrivals, trade volume, and prices. The possible eroding of this system will create a veil between the state's ability to monitor the trade and further data collection. This circumstance will eventually result in another case of information futility. Subsequently, the farmers with less market intelligence and lack of information on prices will fall prey to the hands of greedy corporate in the absence of government intervention. These structural contradictions are mainly attributed to small and marginal farmers.

The question of small and marginal farmers

In India, small and marginal farmers account for around 86% of total operational holding (GoI, 2019). These 128 million small and marginal farmers operate on an average area of 0.6 hectares. They produce around half of the total marketable surplus in the country (GoI, 2017). When protests broke out, India's central government repeatedly stated that the movement is funded by a nexus of capitalist farmers and middlemen. The government had a firm belief that the small and marginal farmers would be the major beneficiaries of the reforms.

As we had already discussed, the small and marginal farmers were born after the fall of feudalism. The mandatory land reforms eventually resulted in a decentralised market where chances of exploitation were higher as we saw in the case of the Kuttanad region. These discourses around smallholdings had broad discussions in the academic field. While some argued that the absence of bonded labour in agriculture points towards the complete fall of feudalism, others argued that the small peasants had no other option but to intervene in free-market agriculture. Scholars like Krishna Bharadwaj stated that small farmers made a 'compulsive involvement in markets' in the post-green revolution phase (Bharadwaj, 1974). This volatility in the condition of small farmers was further elevated after the economic reforms. The farmers who were locked in a 'technological trademill' (due to green revolution) were again affected by the increasing prices of fertilisers and pesticides (Singh, Singh, & Dhanda, 2021). The increase in the cost of cultivation and decline in public investment further catalysed the agrarian scenario of landlessness and unequal land ownership among the farmers (Rawal, 2008) cited in (Sahay, 2020).

The union government continuously argued that only wealthy farmers are the beneficiaries of APMC yards, and they monopolise the institutions while the others cannot access the *mandis*. It is a fact that only 25% of total farmers had accessibility to *mandis*. But, the argument that only wealthy farmers have access to the same government agencies is a 'factoid'. Prankur Gupta and others had recently discussed such factoids around MSP and *mandis* (Gupta, Khera, & Narayanan, 2020). They pointed out that the dominance of Punjab and Haryana in the Indian agricultural market has already wailed, while Chattisgarh and Odisha with 70-80% of the contribution from smallholdings contributed 10% of total paddy procurement in the country by government agencies. They also noted that 45% of farmers from Madhya Pradesh, a state that contributed 20% of the country's total wheat share, were small and marginal farmers. Likewise, traditional agriculture states like Punjab and Haryana had 38% and 58% of smallholdings' share in the public procurement of wheat. These data interpretations made by Gupta and others highlight that the weakening of APMC yards will primarily hit the smallholdings.

As these smallholders had poor bargaining positions, better price discovery is difficult for them, and they are receiving the lowest competitive price (Pingali, Aiyar, Abraham, & Rahman, 2019) cited in (Manjula, 2021). The problems of power asymmetry and information asymmetry discussed earlier are mainly attributed to the small farmers as they are in the last line of such an asymmetrical relationship. When we speak about the structural contradiction, it roots back to the question of landholding and concludes that the smallholders of land are in the weakest bargaining position. Smallholders are associated with the lenders for different cases of input and credit assistance; thus, their capacity to bargain and reap profit has again deteriorated. Apart from this, more than 80% of smallholders are also the net consumers of their products as they depend on the public distribution system (PDS) for their livelihoods (Manjula, 2021). The Essential Commodities Act Amendment gave a blow here. The reforms empowered the big corporate to hoard the procured products unless there is any particular emergency. This combination of probable increase in food prices and a decrease in production revenue would affect farmers' financial situation. Eventually, the small and marginal farmers will fall into a 'poverty trap'[††] in which their debt will increase due to the compounding of interest.

The agri-credit is another crucial area of concern that the proposed reforms left out. Credit subsidies are mainly aimed at the welfare of smallholders who do not have enough capital to invest for expensive inputs. There has been a 500% increase in agriculture credit in the last ten years. Unfortunately, this has not reached the smallholders. About 95% of tractors and other agricultural utilities are financed by non-banking financial companies (NBFCs) at an interest rate of 18% whereas it is 11% for authorised banks. A.S. Mittal, associated with the Punjab planning board, analyses the statistical data of subsidised institutional credit and finds that around 79% of beneficiaries possess more than two hectares of land, which denotes that most small farmers are not receiving the subsidised credit (Mittal, 2021). This is probably due to the leakage of institutionalised credit to big farmers and agribusinesses. Mittal cites an example of Maharashtra for substantiating this. 53% of the total agri-credit allocated by NABARD in the state was concentrated around Mumbai where there are few farmers but several agri-businesses (Mittal, 2021).

The small and marginal farmers in India were thus not addressed well in the agrarian reforms and also bypassed their several interests. The problems of structural contradictions like power asymmetry and information asymmetry in markets along with the lack of accessibility to institutional credit, majorly affect the smallholders and thus demand strong support and intervention from the side of the state. Unfortunately, the reforming legislations (repealed) moved in the opposite direction. FPTCA included provisions of deregulation which would further negate the bargaining capacity of the small and marginalised farmers. The provisions regarding contract farming in FAPA could alienate the farmers from the land in the future and a new version of tenancy was in the cards. The third blow by ECA on the Public distribution system further worsens the condition of smallholders and lets them

[††] In economics, a poverty trap or cycle of poverty are caused by self-reinforcing mechanisms that cause poverty, once it exists, to persist unless there is outside intervention.

boil in poverty traps. Surprisingly, these retrograde reforms were initiated in a country that had notified '99.43% of its farmers are low income or resource-poor' (WTO, 2020).

The question of middlemen

Another promise declared by the union government was that the middlemen who exploited the farmers would be erased from the value chain since the introduction of new reforms. The government argued that the new reforms would stand as a barrier to middlemen intervention. So, the question of middlemen exploitation and the argument of the central government has to be scrutinised separately. The phrase 'middlemen' could be changed but their position could not be ousted from this value chain in a free market (Mohan A. S., 2020). A Corporate monopoly will eventually emerge in an open market just like what happened earlier with big mills in Kuttanad. These entities can't meet the rural farmers directly during the trade. The companies will assign their representatives or employees to procure the crops from the farmers. These people are paid from the same value chain of trade. Their salary and stipend go to the same account as the middlemen had earlier (Mohan A. S., 2020).

86% of operational land holdings belong to small farmers and this might discourage the big corporates from directly making contracts with a huge number of farmers. The corporate would prefer contracts with other entities that would aggregate the produce of the farmers (Singh S., 2012) cited in (Manjula, 2021). So, another stratum will replace the middlemen in the newly emerging value chain. The populist rhetoric against 'exploitative middlemen' will not go in tandem with the possible outcome of the reforms (Singh, Singh, & Dhanda, 2021).

Way forward

- **Empowering Farmers Produce Organisations (FPOs):** Strengthening FPOs and building up cooperatives is a viable initiative in the agricultural sector. The repealed reforms also encouraged the setting up of cooperatives as companies to directly engage in contract farming. This could increase the bargaining capacity of farmers as there is a collective power in bargaining. The government aims to set up around 10000 such cooperative firms through FPOs by 2023-24 (Parsai, 2020). This initiative has the potential to overcome the problems of information asymmetry which is a significant factor in the marketing of agricultural produce. Journalists like Gargi Parsai also express an ambiguity in this about the possible involvement of outside capitalist interests in the form of resource institutions (Parsai, 2020). Here, Kerala Co-operative Milk Marketing Federation commonly known as 'Milma' stands as an example of an empowered and competitive FPO. Milma is an organisation of farmers that supplies milk throughout Kerala. Milma defines itself as a collective of farmers in which 'they are the producers of the raw material - milk, the shareholders in the organisation and the Chairman and Board of Directors are elected from among themselves' (Milma). So, Milma is a success story of farmers' collective where everything is dealt with by the farmers themselves and eliminates the hierarchical features of corporate business firms. A similar success story more or less characterises the Indian dairy sector in general. Dairy farmers in India are well off compared to the revenue received by farmers in countries like Australia and New Zealand. Farmers' organisations have also become an influencing force in stepping back the Indian government in joining the Regional Comprehensive Economic Partnership (RCEP), in which Australia and New Zealand have memberships. Pietra Rivoli's analysis on the rise of a politically powerful class of cotton farmers in Texas points out how farmers managed to market their produce themselves by engaging in the global market (Rivoli, 2005). So, empowering the FPOs to engage themselves in the trade as agri-business firms is a pragmatic solution in the Indian context. This could derive better price discovery and a subsequent increase in revenue. While considering the social profiles of the key informants in Kerala, Sadanandhan, the FPO representative gave the most structured information for the study. His awareness of the trade system in market highlights the political socialisation an FPO associate may have over others.

- **A rejuvenated credit and subsidy system:** The credit and subsidy discourses are rooted in the cost of inputs in agriculture. As the sector got commercialised, there has been an undisturbed rise in the input cost of cultivation. Electricity, fertilisers, pesticides, machines, and other agricultural utilities come with a price. This has become a challenge for Indian farmers in meeting the input cost of cultivation. The government started to give away subsidies and provided low-interest credits to help the farmers in this regard. But, as we have discussed earlier, the institutional credit system is flawed and a majority of farmers depend upon external agencies for their financial needs. A solution for this should be a primary objective in the sector. Inclusion of every small and marginal farmer under the institutional credit and facilitating access to the same is a mandatory requirement. The state could use technological innovations like satellite imagery before delivering the subsidised credit to the applicants. This move could make some balance between a stringent state enquiry and the question of red-tapism. The state's monetary allocation of agricultural subsidies is another area of concern. While the United States (U.S) and European Union allocated $131billion and $93 billion for farm subsidies, India being an agrarian country, could allocate only $24.2 billion in the same period. The value addition made by the subsidies accounted for only 12.4% in India, while it amounted to 90.8% for the U.S and 45.3% for the European Union (Dhar, 2020). Even though it is immature to compare the monetary allocations made in developed countries with a developing country like India, this data reminds us that, along with the strengthening of an institutional credit system, increasing the fiscal budget of farm subsidies is a major factor in stabilising the financial condition of farmers in managing the input cost of cultivation. Therefore, it is also advised that the Indian state make a 'U-turn' in its direction towards disinvestment and deregulation.
- **Revised and guaranteed MSP:** Minimum Support Price (MSP) could be defined as the floor price promised by the government to procure the produce from farmers under any condition. This amount is gradually raised by the

government every year. But, the protesting farmers were asking for a revision in formulating the MSP and wanted to use a C2 + 50% formula in declaring MSP. C2 is the comprehensive cost involved in the production process, including the rent or capital along with other farming expenses. Another 50% of the comprehensive cost of production will be the profit for the farmers under this formula. Farmers' groups and several agricultural economists have widely raised this demand. Demand for a new formula of the comprehensive cost came up due to the unimaginable price rise in the input of production. Frequently increasing prices of fertilisers, machinery, and other implements proportionally affected the cost of cultivation. Even though the government declares the MSP for 23 commodities, major food grains like wheat and paddy have a priority in the trade. So, the concern over MSP should also be extended to other crops. Kerala has been enthusiastic about bringing 16 vegetable crops under the MSP system, which is an inclusive model in this context (Times of India, 2020). The support price declared by the government could be only assured if there is a proactive government in the trading scene. In the absence of such a regulating mechanism in the farm-gate, the chances of diluting MSP are much higher, as we discussed earlier. So, from the viewpoint of the researcher, repealing the new reforms was a mandatory thing to protect the provision of MSP.

- **Infrastructure up-gradation:** The major problem of the prevailing *mandi* system is the lack of investment which resulted in the lesser proximity for farmers towards the *mandis*, and inside them, lack of space and storage facilities are disadvantages for the sector. The farmers are often desperate to sell the products as soon as possible. Because, most of them do not have adequate storage facilities. Unless the product is sold before any seasonal changes, this desperation has no end. This put them in a weak bargaining position. So, the government is ought to ensure adequate storage facilities and market spaces for the farmers. The government could accept suggestions for rural haats with adequate infrastructure rather than upgrading the *mandis* alone. This recommendation by Yadav to upgrade rural haats into Gramin Agricultural Markets (GrAM) stands as a solution to meet the desired density of procuring centres as well (Yadav, 2019). Allowing the FPOs to manage such state-funded rural haats is also a viable option to ensure transparency.

- **Governance reforms at APMC yards:** The need for reforms majorly stemmed from the inefficiency of the APMC system. The yards/*mandis* do not have a friendly mechanism for the farmers. The system has decayed with red-tapism, excessive and unwanted levies, cartels formed by traders, and licensing bottlenecks. First of all, the problems raised by entrepreneurs about licensing have to be addressed. The current system demands a shop inside the yard to gain the license. Unfortunately, there are not enough infrastructures to build a new shop. So, the requirements to obtain a license have to be revised. Also, the levies imposed on farmers must be reduced to a minimum. According to Ramakumar, 'the introduction of unified national licenses for traders and a single point levy of market fees are steps in the right direction' (Ramakumar, 2020).
- **Kerala's alternative against middlemen exploitation:** According to the latest available reports, the state of Kerala stands first in guaranteeing the highest MSP for paddy in the entire nation (Kerala State Planning Board, 2021). It is now raised to 2820 per quintal in 2022 state budget (Balagopal, 2022). Even though there are no *mandis* or APMC markets in Kerala, it is the government that acts as a middleman or mediator between the farmer and the trader. The Kerala State Civil Supplies Corporation, commonly known as 'Supplyco' collects the paddy directly from the registered farmers and thus, ousts the role of middlemen from the value chain. The state government also engages as a mediator in financial transactions and this mechanism ensures hustle-free trade between the two entities with a guaranteed MSP. This particular framework could oust the role of a middleman as any democratically elected government is probably altruistic in a business (Mohan A. S., 2020).

Conclusion

Governance issues and proximity of APMC yards, middlemen exploitation in the supply chain, asymmetries created by structural contradictions, and the absence of periodic revisions were the major problems faced by small and marginal farmers in India. Even though the reforms seemed interesting in their principle, the pragmatic aftereffects of the laws were not taken into account. The policymakers did not consider the society's structural contradictions and the farmers' weak bargaining capacity. The reforms were carried by a neoliberal agenda that further catalyse the adverse conditions of the farmers. As (Singh, Singh, & Dhanda, 2021) rightly put it, farmers' demands 'aim to repair and reorient the existing subsidy system, not to jettison it'. It was clear that the reforms introduced by the government were detrimental to the farmers' welfare and might even be disturbing for the common public who rely on the Public Distribution System (PDS). So, the government's decision to repeal the proposed reforms is appreciated.

Nevertheless, it is necessary to address why the reforms were demanded and propose better solutions. For instance, annulling mandatory licenses for e-trading was a provision in FPCTA and dispute settlements within 30 days included in FAPA were positive moves in the agricultural market. The policymakers advocating new reforms shall use a 'systems approach' [‡‡] by involving the stakeholders, the farmers in the process of formulating policies. Listening to the farmers themselves will help in finding their primary problems, desperate positions, and different dimensions of vulnerability in a free-market ecosystem. While compounding the stakeholders' perspective with the policy analysis, it is advocated that the central government of India shall reconfigure the reforms by reversing the neoliberal agenda. To be precise, the government should further move from their neoliberal agenda of 'repealing' farm laws to 'redrafting' farm laws by ensuring a proactive state response and thereby, the welfare and equity in the agricultural sector.

Acknowledgements

[‡‡] Systems theory in Politics considers the demands raised by stakeholders or the participants in a political system as fundamental in decision-making.

The author is indebted to all the key informants, the farmers from Kuttanad who had no hesitation to spend their precious time conversing with the researcher. Especially, Sadanandhan's inputs were invaluable to the study. Author extends his sincere thanks to Dr Mathew A. Varghese of Mahatma Gandhi University, Dr P. Indira Devi of Kerala Agricultural University and Dr Vijoo Krishnan of AIKS for their valuable comments.

References

Alavi, H. (1975, August). India and the Colonial Mode of Production. *Economic and Political Weekly* .

Balagopal, K. N. (2022). Budget Speech 2022-23. (p. 39). Government of Kerala.

Bandhyopadhyay, R. (1993). Land System in India: A Historical Review. *Economic and Political Weekly* , *28* (52), A149-A155.

Bharadwaj, K. (1974). *Production Conditions in Indian Agriculture.* Cambridge: Cambridge University Press.

Dhar, B. (2020, December 31). Separating the wheat from the agri-policy chaff. *The Hindu* , pp. 6-7.

DMI. (n.d.). *Brief History of Agricultural Marketing Regulation, its Constraints and Reforms in the Sector.* Retrieved June 21, 2021, from dmi.gov.in: https://dmi.gov.in/Documents/Brief%20History%20of%20Marketing%20Regulation.pdf

eNAM. (2021, May 31). *Break up of Stakeholders in e-Nam*. Retrieved from enam.gov.in: https://enam.gov.in/web/dashboard/stakeholder-data

Financial Express. (2018, january 29). *India economic survey 2018: Farmers gain as agriculture mechanisation speeds up, but more R&D needed*. Retrieved from www.financialexpress.com:

https://www.financialexpress.com/budget/india-economic-survey-2018-for-farmers-agriculture-gdp-msp/1034266/

GoI. (2019). *All India Report on Number and Area of Operational Holdings, Agricultural Census, 2015–16 (Phase -I).* Department of Agriculture, Cooperation and Farmers Welfare. New Delhi: Ministry of Agriculture and Farmers Welfare.

GoI. (2013). *Final Report of Committee of State Ministers, In-charge of Agriculture Marketing to Promote Reforms.* Department of Agriculture and Co-operation. Ministry of Agriculture.

GoI. (2017). *Post-production Interventions: Agricultural Marketing.* Committee on Doubling Farmers' Income, New Delhi.

GoI. (2020). *Uniform Specifications of Paddy, Rice and Coarse Grains for Kharif Marketing Season 2020–21 for Central Pool Procurement.* Department of Food & Public Distribution. New Delhi: Ministry of Consumer Affairs, Food & Public Distribution.

Gupta, P., Khera, R., & Narayanan, S. (2020, December 19). MSP - the factoids versus the facts. *The Hindu* , p. 6.

Kerala State Planning Board. (2021). *Kerala Development Report: Initiatives, Achievements, and Challenges.*

Kumar, M. (2021). The Government's Retreat from Agricultural Policy. *Economic and Political Weekly , 56* (4), 17-19.

Manjula, M. (2021). The Smallholder in the Agriculture Market Reforms in India. *Economic and Political weekly , 56* (15), 22-26.

Milma. (n.d.). *Milma - The Farmer's Organisation*. Retrieved from milma.com: https://milma.com/articles/1

Ministry of Law and Justice. (2020). *THE ESSENTIAL COMMODITIES (AMENDMENT) ACT, 2020.* Legislative Department. Delhi: Controller of Publications.

Mittal, A. S. (2021, January 25). In agri-credit, small farmers are still outside the fence. *The Hindu* , p. 6.

Mohan, A. S. (2020, December 22). *Reforms or Retrograde Moves in Agriculture?* Retrieved from https://globalsouthcolloquy.com: https://globalsouthcolloquy.com/reforms-or-retrograde-moves-in-agriculture/

Mohan, A. S., & R, R. M. (2020, August). Encounter Killings, Mob Lynchings, Death Penalty: The Underlying Social Consent. *Student Struggle* .

New Indian Express. (2020, December 12). *Reforms will benefit farmers, government committed to their welfare: PM Narendra Modi*. Retrieved from www.newindianexpress.com: https://www.newindianexpress.com/nation/2020/dec/12/reforms-will-benefit-farmers-government-committed-to-their-welfare-pm-narendra-modi-2235300.html

Parsai, G. (2020, December 23). Put the farm laws on hold, uphold farmers' rights. *The Hindu* , pp. 6-7.

Pingali, P., Aiyar, A., Abraham, M., & Rahman, A. (2019). Linking Farms to Markets: Reducing Transaction Costs and Enhancing Bargaining Power. In P. Pingali, A. Aiyar, M. Abraham, & A. Rahman, *Transforming Food Systems for a Rising India* (pp. 193-214). Palgrave Macmillan.

Ramakumar, R. (2020, December 1). The perils of deregulated imperfect agrimarkets. *The Hindu* , p. 6.

Rawal, V. (2008). Ownership Holdings of Land in Rural India: Putting the Record Straight. *Economic and Political Weekly* , *43* (10), 43-48.

Rivoli, P. (2005). Reinsch Cotton Farm, Smyer, Texas. In P. Rivoli, *The Travels of a T-Shirt in the Global Economy: An Economist Examines the Markets, Power, and Politics of World Trade* (pp. 2-6). Wiley.

Sahay, G. R. (2020). Landlessness and Agrarian Inequality without Landlordism. *Economic and Political Weekly , 55* (34), 49-56.

Singh, P. (2020). BJP's Farming Policies: Deepening Agrobusiness Capitalism and Centralisation. *Economic and Political Weekly , LV* (41), 14-17.

Singh, P., & Bhogal, S. (2021, January 8). A Properly Thought Out Resolution Requires the Untangling of Many Aspects of Farm Laws. *Indian Express* .

Singh, S. (2012). New Markets for Smallholders in India: Exclusion, Policy and Mechanisms. *Economic and Political Weekly , 47* (52), 95-105.

Singh, T., Singh, P., & Dhanda, M. (2021). Resisting a "Digital Green Revolution": Agrilogistics, India's New Farm Laws and the Regional Politics of Protest. *Capitalism Nature Socialism , 32* (2), 1-21.

Swaminathan, M. S. (2006). *Serving Farmers And Saving Farming.* National Commission on Farmers. New Delhi: Ministry of Agriculture.

Thorner, D. (1962). Context for Cooperatives in Rural India. *The Economic Weekly* (Annual Number), 251-266.

Thorner, D. (1962). Context for Cooperatives in Rural India. *The Economic Weekly , Annual Number*, 251-266.

Thorner, D. (1956). *The Agrarian Prospect in India.* New Delhi: University Press.

Times Now. (2020, June 3). *1991 moment for Indian agriculture: Union Cabinet approves amendments to ECA*. Retrieved from timesnownews.com: https://www.timesnownews.com/business-economy/economy/article/1991-moment-for-indian-agriculture-union-cabinet-approves-amendments-to-eca/600981

Times of India. (2020, October 28). *Kerala becomes first state to list MSP for vegetables*. Retrieved from timesofindia.indiatimes.com: https://timesofindia.indiatimes.com/business/india-business/kerala-becomes-first-state-to-list-msp-for-vegetables/articleshow/78905238.cms

WTO. (2020). *Notification.* Committee on Agriculture. World Trade Organisation.

Yadav, H. N. (2019). *Agriculture Marketing and Role of Weekly Gramin Haats.* Standing Committee on Agriculture. New Delhi: Ministry of Agriculture.