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Markets in Transition: Assessing the Role and Functions of the Shift from APMC to PACS in Bihar

Navin Kumar*

Abstract

Over the past few decades, Bihar's agriculture has experienced a significant transition. Many factors, such as the change in the agricultural markets, are affecting most of the agricultural activities. The agricultural markets are essential for agricultural produce, where the primary agricultural producer meets the first buyer. This paper analyses the transitions in Bihar's regulated agricultural market to a completely open market system. Regulated agricultural markets were established in Bihar in the 1960s and 1970s through the Agricultural Produce Marketing Committee Act (APMC Act). However, the Bihar government repealed the Agricultural Produce Market Committee Act (APMC Act) in 2006, aiming to encourage private investment and traders to buy agricultural commodities directly from farmers. It is also supposed to provide farmers with more options to sell their produce. As a result of the abolition of APMCs in Bihar, Primary Agricultural Credit Societies (PACS) have emerged as key institutions in rural financial assistance and in the public procurement process. However, this transition in the agricultural market in Bihar has raised many questions, such as the state intervention in agriculture markets, the limitation of market liberalisation, the importance of the regulated agricultural markets, and which types of markets emerged for agricultural produce after the abolition of APMC Act regulated markets in Bihar. This study attempts to evaluate the role and function of

* Jawaharlal Nehru University, JNU Ring Road, New Delhi, India; navinks8510969239@gmail.com

agricultural markets that emerged in Bihar after the abolition of regulated agricultural markets.

Keywords: Agrarian reform, Mandi system, Agricultural Produce Market Committee Act (APMC), Informal Credit Institutions, Primary Agricultural Credit Societies (PACS), Local Traders, Minimum Support Price (MSP)

1. Introduction

According to the Economic Survey of India (2022-23), agriculture accounts for around 18.3 % of the total Gross Domestic Product (GDP). More than 60% of the working population in the nation receives an income and a source of livelihood from agricultural activity (Census of India, 2011). Factors such as the availability and quality of land, seeds, fertilizers, agricultural inputs, access to agriculture loans, crop insurance, price assurance for agrarian produce, compensation for marketing and storage, and infrastructure determine agricultural production and productivity in India. Credit and market are supposed to help increase agricultural output and production, but also lead to debt-related misery. Recently, the contribution of agriculture to the national income has decreased from 20.3% in 2020-21 to 18.3% in 2022-23, reflecting the growth process and structural changes in the economy (PIB, 2023).

The market system for agricultural produce serves as a crucial institution in the Indian agriculture sector. In most parts of the country, the system is regulated by the Agricultural Produce Marketing Committee (APMC) Act, which aims to protect the interests of farmers and provide a transparent marketing process for them; the state governments passed this Act. However, in present times, there are some states—Bihar, Kerala, Manipur, etc.—where the APMC Act does not exist. Bihar's mandis were regulated by the APMC Act till 2006. Market yards and sub-yards for agricultural commodities are notified under the APMC Act. This regulation's primary objective was to protect farmers' interests. Besides, these markets must have proper infrastructure for the sale of farmers' products. Prices in these mandis will be decided through an open auction, which will be conducted transparently in the presence of a market committee official (Chand, 2012). However, APMC mandis also had some imperfections, such as the influence of middlemen and undeveloped infrastructure and the market being too far away from the first seller. In recent decades, there has been increasing pressure to reform market regulations and remove various associated restrictions. It is argued that this Act was relevant at a time when private trade was underdeveloped, exploitative, and dominated by mercantile power. The marketing monopoly granted to the state by the Act is seen as a deterrent to private investment in agricultural markets (ibid). To address all these problems, an inter-ministerial task force on agricultural marketing reforms was set up in 2002, which recommended amendments to the APMC Act and emphasised allowing direct marketing by private traders (ibid). Subsequently, in 2016, the Central Government introduced e-NAM, which aimed to create a national agricultural market and link APMC mandis through an electronic platform. It was claimed that e-NAM would give farmers more marketing options, online competition, and transparent pricing (PIB, 2024). But as a start towards luring in private sector investment, the Central Government's 2020 new agriculture legislation also permitted trading outside of APMC mandis. However, these laws were withdrawn due to farmer protests.

According to the Census (2011), at least 88% of Bihar's population lives in rural areas, who are engaged in the agricultural economy. In recent decades, Bihar's economy has experienced structural changes that are also indicating a policy shift in the agrarian economy. These shifts include the implementation of the Agriculture Road Map, the abolition of the Regulated Agricultural Market, and the reconstitution of the Primary Agricultural Credit Society. However, the agricultural sector currently contributes roughly 20% of Bihar's Gross State Value Added (GSVA), growing at an average annual rate of about 5% over the last five years (2017–18 to 2020–21).

The case of Bihar is the most important one for understanding the liberalisation of agricultural markets. Where the APMC Act was abolished in Bihar in 2006, with the hope that agricultural marketing liberalisation in the state would provide more options to farmers and improve their incomes. However, no effective alternative system was established after the abolition of APMC in Bihar. This resulted in small farmers becoming dependent on local traders. The Bihar government tried to empower Primary Agricultural Credit Societies (PACSs) and Vyapar Mandals (VMs) for public procurement, but it could not completely replace APMC mandis.The objective of this research is to study the role and function of agricultural market systems operating in Bihar. This study evaluates credit and marketing institutions where farmers get financial services and market facilities from a single institution. In the context of Bihar, it examines the transition of the Agricultural Produce Market Committee (APMC) regime to the Primary Agricultural Credit Societies (PACS), and enquires whether the PACS have been able to provide market facilities to farmers. In addition, the paper looks at the changes in the role and functioning of these institutions in recent times, thereby contributing to the discussion of agricultural market reforms by providing empirical insights into the market transition from APMC to PACS in the context of Bihar.

2. State Intervention in the Markets

In this section, state intervention in the market area is discussed and an attempt is made to understand the conceptual framework of state and market relationships in the context of contemporary debates in the neoliberal era. We also tried to understand the conceptual framework of the state as a facilitator or regulator and why the state regulates or de-regulates the market. Polanyi (1957) stated that a market is an assembly area where goods are bought, sold or exchanged. He also argued that a market is an institution where the production and consumption of goods and services are coordinated through voluntary transactions. Markets are not only for goods (including services) but also for all the elements of the industry, such as labour, land, money, wages, rent, and interest (ibid). Lindblom (2001) categorized three types of markets: labour markets, agricultural markets, and markets for services and goods. However, there are two other markets in which the major participants are not ordinary people but entrepreneurs, enterprises and financial institutions. Lindblom calls this type of market the intermediary, which is the market for services and goods produced for other producers and the market for capital, specifically the market for loans, securities, and other forms of investment (ibid). He also argued that organizing or coordinating activities is not through government planning but through mutual interaction between buyers and sellers. Furthermore, he considers the market system to be a system of social-wide coordination of human activities not by central command but by mutual interaction in the form of transactions.

Heilbroner (2012), in his book 'The Making of Economic Society,' argues that market systems function as the key regulators of social structure. He argued against the commonly-held notion of the emergence of market society propounded by the likes of Adam Smith, which holds markets as naturally-created entities arising out of the intensification of the 'division of labour'. He points out that market society could not break with the legal and moral foundations of feudal society without violent transformations, giving the legal and institutional framework for market-based capitalist production and exchange. Thus, far from being a natural outcome of the division of labour, state intervention and violent social change played a key role in the creation of capitalist market society (ibid).

In present times, however, the policy of open and free markets is being prominently promoted as the main facilitating role of the state. In the relationship between the state and the market, the state intervenes in the market in both conditions, when it works and when it fails. The states regulate and direct the market at various levels through their laws. According to Kohli et al. (2003), this intervention by the state has been done in the name of development. In the 1950s and 1960s, there was a general consensus that state intervention was necessary to promote development because of 'market imperfections'. However, in the 1980s, the debate stopped at 'state imperfections' where the 'Washington Consensus' argued for fairness of prices, openness, and minimal state intervention (Kohli et al., 2003). Basically, the Washington Consensus is a set of recommendations for economic policy for developing countries, which was used for Latin American countries in the 1980s. It refers to the agreement between the International Monetary Fund, the World Bank, and the US Treasury Department.

Underhill (2000) says in his study that we need to rethink our understanding of state-market relations. According to him, markets are part of a private domain in which individuals and companies interact to determine prices through the interaction of production, supply, demand and other allocation decisions. At the same time, states are part of the public domain, which is used in the context of politics, both domestic and international. Therefore, the distinction between the state and the market is a clear distinction between the public and the private.

But, in the counterview of the above perspective, Heilbroner (1985), in his book 'The Nature and Logic of Capitalism' argues in the context of public and private duty that what appears to be a merely "public" duty of the State has a hidden aspect, whereby inputs necessary for the accumulation of capital, but unprofitable for production within the framework of the market, can be provided to the economic sector. From this perspective, the state does not simply add "public" work to private functions. Rather, it accepts from the economic sector those necessary undertakings that cannot remain within it (ibid). In these cases, the state imposes on the public the costs of activities that would cause monetary "losses" if carried out by the economic sector. He further argues that alongside the important economic function performed by the governing branch of capitalism, powerful political functions are also performed by its economic branch (ibid). Thus, the distinction between the state and the economy is not based on extrinsic functions, where the political domain addresses "public" needs and the economic domain focuses on "private" ones. Rather, the fundamental difference lies in the potential for recapturing expenditure within the marketplace. The government is generally enjoined from doing what the economic realm can do. That which business cannot do, but which requires to be done, becomes the business of the public sector.

On the other hand, Nayak (1996) says that the real question is to avoid the evils of market failure and state failure, and we have to strike the right balance between the two. There are many examples in the economy where state intervention has not been beneficial, but there are also cases where the situation is reversed. Strange (1988) says we should focus not on states and markets but on political power and market interactions. According to Strange (1988), power determines the relationship between the state and the market. Strange also argued that the market cannot play a significant role in the functioning of the political economy unless it is allowed to do so. The difference between a private-enterprise, market-based economy and a state-run command-based economy lies not only in the amount of freedom given by the authority to the market operator but also the context in which the market functions (ibid). However, since the 1990s, the relationship between the state and the market has changed, and demands were raised that the role of the state should be negligible. In this context, Riain (2000) says that the relationship between the state and the market is changing due to globalization. According to him, the state, market, and society are intertwined in the era of globalization in which the state plays a vital role in the creation of the market by guaranteeing the rules of its operation. However, for this, the state has to get the support of the society they claim to represent (ibid).

In the context of state intervention in markets, the question has been raised as to whether state intervention in the market is necessary to maintain continuity in development. Stiglitz (2016) states that, at the present time, markets do not exist in vacuums; they are structured by a legal framework. The functioning of markets depends on the rules of the game specified by the political process, which in turn depends on the rules and underlying characteristics of the political game.

The market is a more specific concept that refers to the system where goods or services are exchanged between buyers and sellers. Many factors influence the market system, such as buyers, sellers, price, demand, supply and structure. To understand the concept of agricultural market within the concept of market, it is important to understand how agricultural products are exchanged. Basically, an agricultural market is a specific type of commodity market that focuses on the production, distribution, etc. of agricultural commodities. In India, the agricultural market is mainly regulated by the state government, but, in some exceptions, like Bihar, Kerala, Sikkim, Manipur, Mizoram, etc., the agricultural market is not regulated by the state. Agricultural markets in India are currently regulated by the Agricultural Produce Marketing Committee (APMC) Act. According to Krishnamurthy et al. (2020), the term market is often used to mean both an economic market and a market site, where the term 'market site' has a physical and spatial dimension, also referred to as a mandi. A mandi is an actual site where sellers and buyers come together for the exchange of agricultural produce. This site may or may not be regulated by the government. However, a market site must not necessarily be a mandi (ibid). It can refer to any site where buyers and sellers meet to conduct transactions, such as a farm gate, village chowk, haat, etc (ibid). Therefore, it is clear from the above that Bihar has implemented neo-liberal policies to support and protect private traders, which has led to a transition in the agricultural market, resulting in persistent market failures. This transition is a reflection of the state's efforts to deregulate the market with the objective of encouraging private participation.

3. Regulated Agricultural Market in India

3.1. Evaluation of Regulated Agricultural Market in India

In the context of the origin of a regulated market, the market should provide facilities for trading, a fair and regulated space of settlement for buyers and sellers, prompt settlement of disputes relating to trading activity, and a mechanism that enables bargaining without causing harm to anyone (Kumar, 2020). In India, the first agricultural market at Karanja in East Hyderabad was established in 1896 and was regulated by the state (Chengappa, 2003). The Royal Commission on Agriculture in India (1928) considered the improvement of communications and the establishment of regulated markets to be the most promising solution to the cultivator's marketing difficulties. The Royal Commission Report on Agriculture in India (1928) considered the establishment of regulated markets to be an essential part of any systematic or ordered plan of agricultural development in this country (RCA Report, 1928, Vol. III, p.44). It thus recommended the establishment of regulated markets in other provinces on the basis of the Berar system as modified by the Bombay legislation. However, the Bombay Act was definitely limited to cotton markets, and most of the transactions in the Berar markets were in that crop (ibid). The Commission considered that in order to extend this system to other crops easily and to avoid difficulties, the establishment of regulated markets should be done only under provincial legislation (ibid). The Commission also said that local governments should also take the initiative, and such markets should be immediately established in some major centres (ibid). Vadivelu (2014) said that the Report of the Royal Commission on Agriculture (1928) gave an institutional shape to the Indian agricultural market.

3.2. Agricultural Markets after Independence

At the time of independence, Indian agriculture was characterized by very low productivity, predominance of subsistence production, and low levels of marketable surplus (Rawal et al., 2020). Also, the agriculture market structure was underdeveloped in the country at the time of independence. As a result, the farmers were forced to sell their agricultural produce to local traders and the local periodic markets (weekly haats) located in the village (ibid). However, after the Indian Constitution came into effect, agriculture became a subject in the State list. Subsequently, state governments passed the Agricultural Produce Marketing Committee Act in the 1960s and 1970s (ibid). The job of running these markets was given to the local bodies. In other words, these markets are regulated by the state government under the "Agricultural Produce Marketing Committee" (APMC) Act. The role of these markets became necessary due to the Green Revolution in the 1970s and 1980s. Harris-White (1996) analyze the three major roles of India's agricultural market—efficiency, extraction, and exploitation—in understanding the agricultural markets in India in the context of political economy. In addition, she noted in another of her studies that credit relationships within agricultural commodity markets also received considerable attention following the British colonial authorities' view of the increasing indebtedness of rural farmers in the late 19th and early 20th centuries. However, the relationship of agricultural credit to agricultural commodity markets was ignored in the post-colonial period (Harris-White, 1996).

Apart from regulated markets, small rural markets are more important. Rural markets have an essential role as an institution of rural development. The income of many farmers, especially small and marginal farmers, is determined by the process prevalent in these markets (Chengappa, 2003). However, due to the limited capacity of these rural markets, farmers are not able to get remunerative prices for agricultural produce. In addition, there have been many problems in regulated markets over the years. According to a study, India's agricultural marketing is ineffective due to fragmented marketing channels, inadequate infrastructure, differences between prices paid by consumers and prices earned by producers, and policy distortions (Chand, 2012). Furthermore, Purohit's (2016) study measured state-led regulatory institutions using legal and administrative-based benchmarks to understand the purpose of the market system in 14 states between 1970 and 2008. They found that APMC's performance improved significantly between 1970 and 2008. In their study, Acharya and Agarwal (2004) evaluated the performance of market systems, institutions, and policies driving agricultural development in India. In addition, they have pointed out several problems present in regulated markets in their study. As such, APMC does not allow traders to buy food grains from farmers outside the mandi (ibid). Also, ineffective regulation of agricultural markets results in problems such as cartelization, interlocking of sales with informal credit, and lack of transparency in auctions, which have their roots in inequalities in the agrarian class structure and lack of democratization of these institutions (Rawal et al., 2020). The lack of public investment in agricultural markets in the post-liberalisation period has led to many other problems in agricultural markets (ibid).

However, in 2002, the Inter-Ministerial Task Force on Agricultural Marketing Reforms recommended that the Agricultural Produce Marketing Committee Act should be amended to allow direct marketing and establishment of agricultural markets in the private and cooperative sectors (Chand, 2012). The rationale behind the Task Force's recommendation was that farmers should have the option to sell their produce directly to agribusiness firms, such as processors or bulk buyers, at lower transaction costs and in the quality required by the buyers (ibid). Subsequently, following the recommendations of this task force, the Central Government prepared the Model Agricultural Produce Marketing Committee Act in 2003, which said that the state governments could make reforms to their existing APMC Act.

Three bills relating to the agriculture sector were passed by the Central Government of India in 2020. The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 (FPTCA) was one of these laws. Outside of the APMC-regulated agricultural markets, this Act permitted private traders to purchase agricultural produce directly from farmers. Many Indian scholars argued that this act was a significant reform in the Indian agricultural sector. Additionally, the government argued that this act would promote transparent and barrier-free trade in agricultural produce, and the emergence of alternative private marketing channels would enable farmers to get better prices for their produce (Rawal et al., 2020). However, after prolonged protests by farmers, all three laws were withdrawn. Despite this, the government policy makes it clear that it wants to reduce state intervention in the agricultural market—a move that may be referred to as the liberalisation of agricultural markets. Two arguments are given in favour of the liberalisation of agricultural markets: first, competition will increase as a result of liberalisation, which will lead to better prices for farmers; and second, liberalisation will lead to increased investment by the private sector in agricultural marketing (ibid). Traders within the mandis are compelled to pay the minimum support price for any agricultural produce, but private sector investment in agricultural marketing entails the removal of MSP compulsion for private traders. The government believed that the FPTC Act 2020 would give greater bargaining power to farmers by offering them better options for selling their produce. However, the objective with which the FPTC Act was introduced in 2020 was the same as that of the Bihar government in 2006 when the APMC Act was repealed, allowing private traders' direct entry into the agricultural market. As a result, farmers became completely dependent on private traders to sell their produce.

3.3. Agricultural Markets in Bihar

After independence, many such initiatives were taken in the agriculture sector, the aim of which was to change the agricultural condition of Bihar. The problems of underdeveloped agricultural markets were affecting farmers' production. The changes in production are not only dependent on technological changes but are also related to the way economic surpluses are appropriated and utilized (Prasad, 1986). In Bihar, a regulated agricultural market was established through the Bihar Agricultural Produce Market Act. This Act was passed by the Bihar Government in 1960 to protect the interest of farmers in markets and regulate the function of markets. The rules for regulating markets were framed in 1962. Also, APMC was established in Bihar to ensure fair transactions and price discovery; they provided the necessary infrastructure to hold buyers' cess and conduct auctions. Physical auctions served as the foundation of price discovery and licenses were granted to traders to guarantee payment. It was designed as democratic and decentralized (Krishna, 2023). Subsequently, the Bihar government established the Bihar State Agricultural Marketing Board in 1972 to monitor and control the functioning of agricultural produce committees (Kumar, 2020).

4. Rural Cooperative Credit Societies in India

4.1. Evaluation of Cooperative Societies in India

The cooperative movement in India began in line with the successful cooperative movement in Europe, particularly the success of cooperatives in Britain and Germany. Indian agriculture experienced many difficulties in the early 20th century, such as high farmers' debt, usurious money lenders, and a dearth of institutional credit. Subsequently, the government then launched a number of initiatives to reduce the discontent when the Indian Famine Commission in 1880 and 1901 brought attention to the Indian peasantry's extreme debt (Ministry of Cooperation, GOI, 2022). However, legislative actions did not significantly alter the circumstances. The Indian Famine Commission of 1901 recommended the establishment of rural agricultural banks through the establishment of mutual credit associations. Following this Indian Famine Commission's recommendation, a committee was formed in 1901 under the chairmanship of Sir Edward Law. On the basis of the recommendation of this committee, The Co-operative Credit Societies Act 1904 was passed. Through this Act, the formation of societies, eligibility for membership, registration, benefits of members, liabilities of members, privileges of societies, audit, inspection and investigation and rule-making power, etc., were provided. Also, through this Act, India was classified as either urban and rural or agricultural and non-agricultural. In addition, ten people from the same section of the village or town could form a cooperative credit society. However, the Act did not provide any legal protection to non-credit societies. After this, the Co-operative Societies Act was again passed in 1912 with some amendments. In the Co-operative Societies Act of 1912 of Rule (4), a society that has as its object the promotion of the economic interests of its members in accordance with cooperative principles or a society established with the object of facilitating the operations of such a Society may be registered under this Act with or without limited liability (Cooperative Societies Act, 1912). This Act established the country's first source of institutional finance for farmers and other marginalized groups of society. However, the Maclagan Committee on Co-operation, formed in 1914, recommended the creation of a strong three-tier structure in each province, with primary banks at the base, central co-operative banks at the middle level, and provincial co-operative banks at the apex, primarily to provide short-term and medium-term finance. However, unlike Europe, cooperatives found it very difficult to take off in India. Sharp socio-economic divisions in rural India stifled the very idea of "cooperativeness" (Shah et al., 2007). These societies were entangled in local power politics and were a source of rural patronage and influence (ibid).

However, after the independence, many major reforms were demanded in the Indian agriculture sector. Two main points of focus of this demand were marketing reform and land reform. In addition, the flaws in the institutions that provide loans to protect small farmers' interests were emphasised. In post-colonial India, the first comprehensive survey on rural credit was conducted in the "All India Rural Credit Survey" (1951–54). In this survey study, it was stated that cooperatives should give the lead of rural credit. Banks were nationalized in 1969. After that, the commercial bank emerged as an essential entity providing agricultural credit. Three-tier cooperative credit loans are made available in rural areas. First, state cooperative banks are at the state level, central cooperative banks are at the district level, and the Primary Agricultural Credit Society (PACS) is at the village level (Sen & Bhattacharyya, 2020).

4.2. Function: Primary Agricultural Credit Societies (PACS)

The rural cooperative credit system in India is responsible for ensuring that credit is available, mostly to the agriculture sector. It includes both short and long-term cooperative credit systems. Three tiers comprise the short-term cooperative credit structure: village-level Primary Agricultural Credit Societies (PACS), district-level Central Cooperative Banks (CCBs), and state-level State Cooperative Banks (SCBs).

Primary Agricultural Credit Societies (PACS) play a vital role in India's rural credit system. These are grassroots-level co-operative institutions created to provide affordable credit and other financial services to farmers and rural communities. However, apart from this, PACS does many other works, which include providing subsidies to farmers on agricultural equipment like fertilizers, seeds, threshers, etc. However, several issues have emerged in PACS over the past few decades. Due to this, small and marginal farmers face many difficulties in availing of the benefits of PACS. Ramkumar et al. (2007) showed that the increasing flow of institutional credit into agriculture benefits only big farmers. They showed that the flow of institutional credit between 1975 and 2006 did not benefit small and marginal farmers (Ramkumar & Chavan, 2007). Golait (2007) highlights the issues in agricultural lending in India at the current time. Golait shows that credit delivery to the agricultural sector is still insufficient. Banks are still hesitant to loan money to small and marginal farmers for various reasons (ibid).

However, many changes are being observed in the functioning of rural institutions like PACS. The Bihar government procures grains from farmers at Minimum Support Price (MSP) rates for the Public Distribution System (PDS) and others through PACS and Vyapar Mandals. In this way, the role of PACS increases further for states like Bihar, as there is currently no regulated APMC market in the state. The only options available to farmers are PACS and Vyapar Mandals, where they sell paddy and wheat, based on MSP.

5. Research Method

Using a qualitative method approach, this study evaluates the role and functions of the transformation from Agricultural Produce Market Committees (APMC) to Primary Agricultural Cooperative Societies (PACS) in Bihar. This method integrates qualitative methods to provide a comprehensive understanding of the impact of transition on market dynamics, farmer participation, and overall agricultural market development after the abolition of regulated agricultural markets in Bihar. In order to understand the practical roles of these institutions, in-depth interviews, focus groups, and participant observation are needed to uncover the lived experiences and perceptions of small and marginal farmers and stakeholders. In-depth interviews conducted with farmers and PACS representatives offer valuable perspectives on their particular experiences and perceptions about the transition. The semi-structured nature of the interviews allowed for freedom while guaranteeing a thorough exploration of key subjects, including market access and socio-economic effects.

6. Transition in Market: APMC to PACS

6.1. Deregulation of the agricultural market in Bihar

After the economic reforms, the pressure of promoting private investment in the agricultural sector also started being placed on the state. Also, demands began to arise to reduce state intervention in the agricultural market. This trend can be seen within the broader approach of agricultural liberalisation. A World Bank study (2005) ranked Bihar third from the bottom among states regarding the level and quality of its regulated marketing infrastructure. At the same time, the state was also ranked fourth from the bottom in the level of farmers' satisfaction with the current market situation. Under pressure from the World Bank report and many other issues, the Government of Bihar de-regularised the APMC-regulated Agriculture Market Yards in 2006. After the deregulation of the APMC Act, the State Government formulated a comprehensive plan for the agricultural marketing system in the State, which included the setting up of modern terminal markets in Public Private Partnership (PPP) mode, Agri Business Centres, Renovation of Rural Haats and Agri Primary Processing Centres (NIAM, 2012). However, despite the preparation of detailed technical reports with the assistance of the Asian Development Bank, beyond planning and design, no significant progress has been made in actually creating such markets (Krishnamurthy & Witsoe, 2012). Chatterjee et al. (2020) pointed out in their study that there is a general perception that mandis are the most critical places for farmers to exchange their goods.

However, even today, the village remains a central selling point for farmers in Bihar and Odisha despite the dominance of the powerful castes in credit and marketing institutions. However, many other scholars have conducted studies on Bihar's agricultural market, or mandis. They highlighted the importance of these mandis and raised many issues related to these mandis. Roy et al. (2021) showed that there has been a steady decline in the facilities provided by the markets in Bihar due to the absence of institutional agencies to manage the functioning of the markets. Kishore (2004) in his study argued that poor infrastructure and underdeveloped primary agricultural marketing networks make farmers' problems worse by increasing the cost of marketing and price fluctuations. In research conducted by the National Institute of Agricultural Marketing (NIAM) in 2011-12, it has been pointed out that the agricultural produce markets in the state of Bihar are not adequately maintained and lack basic facilities for the smooth functioning of the markets. They pointed out in their study that the functioning of markets during the APMC regime was also inefficient, and hence, the trade market could not be completely shifted (NIAM, 2012).

However, after the deregulation of agricultural marketing yards in Bihar, the Bihar government reconstituted a new Primary Agricultural Credit Society (PACS). Following the deregulation, PACS, along with Vyapar Mandal, became key institutions for procuring paddy and wheat from farmers. Vyapar Mandal is an organization working in the interest of traders and farmers at the block level. Vyapar Mandal is called the security shield of traders and farmers. It is control by Vyapar Sahyog Samiti. Elections of Vyapar Sahayog Samiti are held every five years, and one post of president and 12 executive members are elected (Etv Bharat, 2022). The significance of PACS in Bihar has grown over time, particularly in agricultural produce procurement.

6.2. Structure of Primary Agricultural Credit Societies (PACS)

After the abolition of the APMC Act, several policies were introduced by the Bihar government to strengthen PACS, such as the selection of members of the managing committee of PACS through the election process and implementation of reservation policy for Scheduled Castes or Scheduled Tribes, Backward Castes, Extremely

Backward Castes, and Women. Through this direct election process, 12 members of the managing committee (including the president and treasurer) are elected. There is a provision of 50 percent reservation for Scheduled Castes or Scheduled Tribes, Backward Castes, and Extremely Backward Castes in the election of the managing committee of PACS. However, the reservation does not apply to single posts (such as president, treasurer, etc.) directly elected through the election process. However, these posts are counted for the managing committee; thus, the reservation applies to the entire committee. However, considering these two posts as unreserved, 6 out of the remaining ten posts are reserved. Out of the remaining ten seats, there is a provision to reserve two seats for Scheduled Castes or Scheduled Tribes, two seats for Backward Classes, and two seats for Extremely Backward Classes. This reservation applies to 50 percent of the total seats. Apart from this, there is also a provision that this reservation should not exceed 50 percent. The remaining 50 percent of seats have been reserved for women. Apart from women of the general category, those women who have not filed their nomination under any reserved category will also be able to file their nomination. If no woman member is elected in this category, then the seat reserved for women will be considered vacant.

7. Empirical Insight from the Field

Currently, the Bihar government procures grains (only Paddy and Wheat) for PDS and others through PACS and Vyapar Mandal. After the APMC market's abolition, the role of these institutions has increased. Bihar farmers have only one option to sell their produce at MSP. Bihar government sets a target every year for paddy procurement from farmers, and based on that set target, PACS and Vyapar Mandal are selected to procure paddy and wheat. In 2022-23, 7299 PACS were selected from all over Bihar, and 5 lakh 77 thousand farmers could sell their paddy in PACS. Bihar government procured approximately 42 lakh MT paddy from these farmers. However, this is a very small number compared to the registered farmers in Bihar, who can sell their paddy at MSP rates (see Table-1). Apart from this, paddy, wheat, and maize are produced on a large scale in Bihar. However, due to the unavailability of regulated markets for these crops, farmers have to sell to private traders at low prices. However, in the last few years, the participation of farmers in PACS has increased; for example, in 2019-20, the number of farmers selling grains in PACS was around 2 lakh 80 thousand, whereas, in 2022-23 more than 5 lakh 77 thousand farmers sold their paddy. However, it is less compared to farmers in other states of the country. Only 2 to 3 percent of the total approximately two crore registered farmers in Bihar can sell their produce in PACS (Agriculture Department, Government of Bihar).

Table-1: Summary Report Public Procurement of Paddy (PACS and Vyapar Mandal)

Years	Total Selected Societies (PACS=VP)	No. Of Farmers	Paddy from Farmers (Qty in MT)
2022-23	7299	577064	4204737.857
2021-22	7436	642234	4490413.694
2020-21	6474	497095	3558858.551
2019-20	6221	279440	2001761.82

Source- https://esahkari.bih.nic.in/

To understand the functioning of PACS, I initially conducted fieldwork in Malpur panchayat of Vaishali district in Bihar from August to September 2023. As per the 2011 Census, 2,216 families reside in this village with a net geographical area of 548 hectares, making it the largest village in the Vaishali district. Malpur is known for its critical agricultural activities, including rice, wheat, maize, potato, and other vegetables. More than 90 percent of the families in this village are involved in farming. The area likely hosts a diverse farming community, including mostly small and marginal farmers and a few big agrarian households. Paddy and maize are two major crops cultivated for marketable surplus in this village. Wheat is cultivated for mostly self-consumption. This makes it a relevant location to study the impact of market changes on various crops reflecting the broader agricultural landscape of Bihar. This makes it a relevant location to research how shifting markets affect different crops, which in turn reflects Bihar's more significant agricultural situation. The economy of Malpur is primarily dependent on agriculture. Therefore, any change in the structure of markets can have a direct impact on the local economy.

7.1. Finding from the field site

In 2022-23, only 76 farmers in this village could sell their paddy in PACS (see Table 2). Due to the absence of MSP compulsion, the local traders (Galla, Paikar and Gaddidar) purchase paddy, wheat, and maize from the farmers at a very low price at Farmgate. A farmer in the village said that even those who sold paddy to the Primary Agricultural Cooperative Societies (PACS) received Rs 200-300 per quintal less than the MSP. In the 2022-23 period, the MSP for paddy was set at Rs 2183 per quintal, but PACS provided only Rs 1850 per quintal. When I asked about this discrepancy, then one respondent told me that Rs 50 was deducted for the empty packet and the remaining Rs 283 for the quality of the paddy. In collusion with the PACS president, private traders in the village purchase paddy from other farmers at reduced prices and sell it to PACS. Consequently, due to the influence of local traders, small farmers are compelled to sell paddy at Rs 1000 to 1400 per quintal.

Years	**No. of Farmers**	**Paddy from Farmers (Qty in Quintal)**
2022-23	76	4136.69
2021-22	32	1732
2020-21	24	1606
2019-20	28	1612

Table-2: Farmers Participation Report of Malpur in Public Procurement of Paddy

Source: https://esahkari.bih.nic.in/

Case Study

Rakesh (name changed) is a small farmer in Malpur village in Vaishali district of Bihar. He owns 4 bighas of land, and he cultivated 3 bighas of total land, mainly paddy, wheat, vegetables, and fodder for animals. Like many farmers in the village, Rakesh mainly cultivated wheat for his family's consumption, while paddy was cultivated for the market.

However, Rakesh faces several challenges in selling his paddy due to the way the local agricultural market structure. Rakesh sells his paddy to local traders due to the need for immediate cash for the next crops. These traders buy paddy at prices lower than the minimum support price (MSP). When I asked why he does not sell his paddy to government agencies like PACS or Vyapar Mandal, Rakesh said that small farmers like him rarely sell directly to PACS. He further explained that local traders buy paddy from marginal and small farmers at low prices and then sell it to more influential farmers (mostly upper-caste farmers) in the village. These influential farmers later sell the same produce to PACS. He explains that caste discrimination plays a major role in this system. Very few people from lower castes are able to sell their produce to PACS.

Rakesh, who belongs to a backward caste, said that the structure of PACS is directly and indirectly dominated by upper-caste farmers. These influential farmers not only control the procurement process but also manipulate the system to their advantage. They have better access to PACS, while small farmers, especially from backward and lower castes, are often sidelined.

There are many reasons behind the low participation of farmers in PACS:

Unequal distribution of land is seen in the village- The unequal land distribution in Malpur village is a big problem for agriculture. Land distribution in this village is characterized by small and fragmented landholdings, with significant socio-economic challenges impacting the farmers' participation in rural institutions, such as PACS and Vyapar Mandal. Despite the population being an OBC's caste (Yadav and Koiri) dominated village, the land of the village is mostly owned by Rajputs and Bhumihar caste. The landless farmers (mostly Mallah, Paswan, Ravidas, and Koiri) of the village are completely deprived of the facilities of PACS.

Socio-political influence of PACS Chairman- An important reason for the low participation of farmers in primary agricultural credit societies (PACS) is the socio-political influence of the PACS Chairman. Before 2008, both Malpur and Bajitpur had a single PACS. However, in 2008, when PACS was reconstituted in Bihar, a separate PACS was set up for Malpur village. Initially, the chairman of Malpur PACS was elected from the Bhumihar caste. The Chairman is from the Yadav caste and was elected unopposed in 2019. This is because the Yadav caste is the largest demographic group in the village. The authority to add new members to the PACS rests solely with the chairman. According to one respondent, membership applications submitted online are often rejected under the guise of verification without giving any reason, depriving many farmers of the opportunity to sell their produce through PACS. As a result, they are forced to sell to local traders. This exclusionary practice by the PACS president is aimed at preventing potential electoral opponents from gaining membership.

Impact of social power structure on PACS - Paddy sales at the Primary Agricultural Credit Society (PACS) in Malpur are primarily done by farmers from Bhumihar castes. This is attributed to the chairman belonging to the Yadav caste and Bhumihar's dominating the village social system, as a result of which most of the farmers selling paddy also belong to this caste. Additionally, the traditional dominance of the Rajput caste enables their members to participate in paddy sales within the PACS. In contrast, farmers from other caste groups are forced to sell their grain to local traders due to these social dynamics.

Delay in payment- Apart from these issues, a major problem reported by farmers is the delay in payment when selling grains to Primary Agricultural Credit Societies (PACS). Farmers need cash immediately for their next harvest. As a result, small farmers often sell their produce directly to local traders at their doorsteps, which ensures that they get immediate cash payment.

Impact of Delayed Procurement of Paddy - PACS start procuring paddy in December.Small farmers face significant challenges because they are unable to maintain their paddy in storage for a long time. They need money immediately so they can begin cultivating the next crop. Due to these factors, small farmers frequently have to sell their rice at lower prices to local traders. On the other hand, big farmers have the capacity to store their paddy for several months, and when the procurement season begins, they are able to sell it to PACS at a better price than the local market rates.

In the regulated Mandi system time, farmers had a system where they were able to sell their produce. However, after the abolition of the APMC Act regulated mandi/market yards and sub-yards, this facility has also ended for the farmers. They have been completely tied to the hands of private traders. In the open market era, a new kind of monopoly has developed throughout Bihar. The farmers are left with no bargaining power in the open market because, due to various socio-economic pressures, the majority of farmers in the state sell their produce immediately after harvesting. This weak position of the farmers provides a favourable bargaining position for the traders (Kumar, 2021).

Moreover, the way new functions have been allocated to PACS after the abolition of the APMC Act has also given rise to a new type of socio-political power source across Bihar, especially in rural Bihar. This is establishing a new power relation among the farmers of Bihar. Big farmers of the village and people associated with political parties are directly taking advantage of these institutions. In contrast, small and marginal farmers remain primarily excluded from the advantages offered by these entities, such as subsidies on fertilizers, seeds, and other agricultural equipment, loan distribution, and access to market facilities.

So, a significant discussion about state intervention in the agriculture markets began in the neo-liberal era. A clear illustration of what happens when the agricultural market is fully turned over to private dealers is provided by the situation in Bihar. The condition of farmers in states where approximately 90 percent are small and medium categories underscores the implications of such policies. The deregulation of Bihar's agricultural market, which involved completely entrusting it to private traders, has evidently failed to achieve its intended objectives. Currently, Bihar's farmers expect a better agricultural market system. The system by which agricultural produce was purchased in an organized manner in the agricultural market regulated by the APMC Act, has again become necessary for small and medium farmers. This is because, for the vast majority of farmers, the options for sale are very limited, mainly due to the absence of a formal agricultural market system. Consequently, state intervention in the economic sphere often becomes essential to protect the interests of its farmers.

8. Concluding Remarks

The abolition of the APMC Act in 2006 had significant implications for the agricultural market system in Bihar. Initially intended to enhance market flexibility for farmers by allowing them to sell their produce freely, the removal of this regulatory framework failed to catalyze the development of new agricultural markets in the state. Consequently, small and marginal farmers have been disproportionately affected, losing the stability provided by fixed-price markets under the APMC Act. Moreover, government procurement initiatives, limited primarily to paddy and wheat and covering only a fraction of total production, have not adequately supported most farmers due to prevailing socio-economic disparities in rural areas. Even today, small and marginal farmers face new challenges, which we can call the new monopoly of local traders.

The purpose for which Bihar Agricultural Mandi was deregulated and how PACS were strengthened has established a new kind of rural power structure in the state. APMC Mandis' were located in the district's town, where access for small and marginal farmers was complicated. Transportation costs, lack of infrastructure and monopoly of intermediaries never allowed small farmers to reach these markets. Apart from this, PACSs located in every Panchayat. Access is very easy for small and big farmers. However, small and marginal farmers have been excluded from the benefits of PACS due to corruption within the organization, irregular payments, a lack of transparency, and challenges faced by small farmers in obtaining membership. As a result of these problems, the basic objectives of establishing PACS, such as providing easy and affordable credit to farmers and strengthening their economic condition seem to be failing. The way power is being given to PACs at present is creating a new type of power structure in rural areas. Currently, PACS has become a major source of political and social power in rural Bihar. Due to mandis being governed by the APMC Act, farmers had the option to sell their produce at MSP rates. However, the open markets system and PACS have taken away this option from the farmers. Overall, this research contributes to the ongoing discussion on agricultural market reforms and can help provide a comprehensive understanding of Bihar's agricultural market transition.

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