Understanding Mandis: Market Towns and the Dynamics of India’s Urban and Rural Transformations

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IGC Project Report 2: A Comparative Study of Agricultural Marketing Reforms

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INTRODUCTION

In recent times, policy discussions on India’s agricultural markets have predominantly centred around the politically sensitive decision to further open up the retail sector to Foreign Direct Investment (FDI). In the process, there have been vivid and sweeping forecasts made on the prospects for rapid and large-scale corporate-led transformations of Indian agriculture, modernising supply chains and cutting out the middlemen, on the one hand, and destroying the livelihoods of millions of small farmers, traders and retailers on the other (or rather at the same time).

This is undoubtedly an important policy move and deserves close study and analysis. But, the nature of the debate on FDI – politically volatile and empirically speculative – reveals a great deal about the shallow state of our knowledge about how agricultural markets are organised and how they work on the ground across different states and commodities. As a result, it is a debate that has been reductive in three senses. First, it has generally not engaged with the remarkable diversity and dynamism that are an abiding feature of Indian agricultural markets. Second, its has reduced the understanding and imagination of reforming agricultural markets to FDI, when there is surely a range of initiatives that need to be urgently taken to improve their performance and management. And third, it reduces one’s understanding of the meaning and practices of politics itself and the complex political economy of agricultural markets as it shapes different regional contexts in the country. The objective of this research project is expand and deepen this approach and understanding.

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In the preparatory phase of this multi-stage research project, we aimed to begin work on the comparative study of agricultural marketing regulation and APMC reforms, building on ongoing ethnographic research in the mandis of Madhya Pradesh. Extending the work in MP, we initiated new fieldwork in Bihar. In both states, the primary field sites – Harda in MP and Ara in Bihar – are important centres for regional commodity trade, especially in wheat. But, more importantly, the states presented an important contrast in policy in terms of amending (MP) versus abolishing (Bihar) their respective Agricultural Produce Marketing Acts. They therefore present interesting case studies on the local and regional dynamics and effects of agricultural marketing regulation and insights into the possibilities and limitations of the policy shifts and reforms that have been attempted on the ground.

This report presents the findings from the ethnographic fieldwork conducted by two anthropologists, Jeffrey Witsoe in Bihar and Mekhala Krishnamurthy in Madhya Pradesh. Before delving into the field notes, however, a brief note on the development of regulated marketing in India and the overlapping definitions and distinctions between mandis and APMCs in policy and practice is required.

The promise of regulated marketing has been enshrined in a range of colonial provincial legislations and in different state agricultural produce marketing acts (APMAs) passed by state governments after independence in the 1950s and 1960s. Bihar’s APMA was first passed in 1960; it’s State Marketing Board was established in 1972. In the erstwhile state of Madhya Bharat, the state government enacted the Madhya Bharat Agricultural Produce Markets Act, 1952 and for a period of time, around 1956, when the state was reorganised into Madhya Pradesh and Maharashtra, different acts were in effect in different regions of the newly formed administrative territories. Four years later, repealing the older provincial laws and consolidating the newer ones, regulation in Madhya Pradesh was brought under a single act and renamed the Madhya Pradesh Agricultural Produce Markets Act (APMA), 1960. Like Bihar, MP’s State Marketing Board (Mandi Board) was also established in the early 1970s (in 1973) under the MP APMA, 1972, which in amended form remains the act in force in that state today.

Under these acts, regulated wholesale markets were designated the most important site for the state regulation of the critical “first transaction” between primary producers and
the first buyers of their produce in long and intermediated circuits of commodity exchange and trade. On the ground, however, the presence and penetration of regulated markets has been gradual and uneven. There were only 73 officially regulated principal markets across undivided India by 1940, and 286 across independent India by 1950. At a national level, the period between 1960 – 1985 (The Green Revolution period in Indian agricultural policy) witnessed the most substantial growth in the number of regulated markets, from 715 in 1961 to 1777 in 1974 and a jump to 5695 regulated markets in 1985. Today, it is estimated that there are over 7500 regulated markets operated under the different acts in force across India.\(^3\)

Across these acts, two features have defined regulatory status of these markets: first, regulation requires that all primary transactions between farmers and licensed buyers take place within the notified market yard, and second, that the monitoring and management of marketing activities is overseen by a locally elected and constituted body, known as the Agricultural Produce Marketing Committee (APMC), the majority of whose members are meant to be farmers, but also include representatives of traders, labourers and weighmen, and local state marketing agencies. Strictly speaking, then, the APMC is not the regulated market itself, but the local body constituted to oversee its regulation. Marketing regulations were also supposed to cover another site of transaction – rural periodic markets (commonly called haats), which generally assemble in large villages or very small towns. However, according to government figures, only 15 percent of the over 27,000 periodic markets in the country are formally regulated (Acharya 2006).\(^4\)

Wholesale markets - sites of aggregation and assembly, dealing with the bulk purchases and trade of agricultural commodities, before they are processed in different units and distributed through a range of retail channels – have been more amenable to regulation (according to one estimate, 98 percent of wholesale markets are under some degree of formal regulation (Acharya 2006), but this also requires further specification. Not all wholesale markets are primary markets, which means that the primary producer is not always the main seller in the marketplace. Wholesale markets may also be defined as

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\(^3\) National Council of State Agricultural Marketing Boards (COSAMB) [http://www.cosamb.org/markets.html](http://www.cosamb.org/markets.html)

secondary markets, where transactions take place between different traders and market intermediaries, but these are typically located in large cities and commercial centres. Naya Bazaar in Delhi, one of North India’s largest wholesale markets for foodgrains, for example is a secondary market organised for trader-to-trader activity intermediated by commission agents and brokers (Vidal 2000). In Indore, the major commodity trading centre in MP, Chhawani Mandi is both a primary market where open auctions are conducted for farmers’ produce overseen by the APMC, while the traders’ association regulates trader-to-trader sales during a one-hour session in the afternoon, where deals are struck between individual traders, literally and figuratively “under the handkerchief” or “under the sleeve.” In rural and small town settings, moreover, there are wholesale markets, also called mandis, which are not formally regulated and do not come under the APMC. These operate in the context of weak agricultural marketing regulation, either where APMCs have not been established or where the APMC exists but can be bypassed by paying a bribe or simply collects marketing fees but does not actively regulate transactions. It is this scenario that had prevailed in Ara in Bhojpur district, Bihar even before the state government took steps to repeal its APMA.

BIHAR

One of the first acts of the NDA government that came to power in 2005 was to abolish the Agricultural Product Marketing Act (APMA), 1960 making Bihar the first state in India to do so. This was particularly profound considering that Bihar is an overwhelmingly rural state (85%) with much of its population dependent on agriculture. What have been the impacts of this radical policy reform? Which groups have benefited or suffered?

In order to explore these questions, a case study of the grain markets Bhojpur district (Ara and Bhiya) was conducted, the largest wheat trading center in Bihar. Witsoe’s primary research village is located in Bhojpur district, where he has been conducting research in the area for the last ten years, making this a logical site of investigation. Officials at the old, now defunct APMC in Ara, a range of present and previous traders, the last chairman of the mandi, farmers and small traders in the primary research village

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and surrounding villages in Bhojpur district and officials in the department of agriculture in Patna were interviewed over a three month period, along with senior political leaders. Interviews were also conducted with the Chief Minister and Deputy Chief Minister to try to understand their perspective on the decision to repeal the APMA and its aftermath.

The following sections briefly describe the effects of the abolition of APMCs on different market participants in Ara.

**A repeal of “rangdari” and the end of extortion**

Many of the smaller arhatiyas (grain commission agents) in Ara said that they were pleased when the APMC stopped functioning, since this ended the tax that was demanded of them. This tax was frequently referred to as “rangdari” (extortion). The APMC was dominated by people affiliated with the previous Rashtriya Janata Dal (RJD) government that was committed to a political project of “social justice” that was widely seen as anti-upper caste and anti-bania (trader). Traders recounted stories, not just of having to pay bribes, but of having demands made publically with the threat of force in order to visibly subordinate traders to the RJD regime, with even a few cases of traders being attacked. In addition, the public mandis (APMCs) never appear to have functioned as envisioned. Farmers never had much influence on the mandi boards, which were instead dominated by politicians. It is not surprising that open auctions usually did not take place. In fact, the private market yard that is today the center of trading activities also functioned before the repeal of the APMCs, although bribes had to be paid to allow grain to bypass the officially regulated public mandi or APMC. The new National Democratic Alliance (NDA) government included the pro-bania BJP, and the deputy chief minister is in fact a bania (which is categorized as an OBC caste in Bihar). It is therefore not surprising that traders felt that “their” people were now in power and that an era of harassment had ended.

**The centralisation of trading and the elimination of smaller commission agents**

While smaller arhatiyas expressed immediate relief at the end of rangdari in the old APMC, gradually the clear result of the abolition of the mandi system was a centralization of trading activities, with one family in particular now handling a large share of the surplus. Nearly all of the arhatiyas that had been active in the wheat trade in the Ara mandi have stopped trading wheat (there had at one time been as many
as thirty five). By 2011, there were only 2 brothers and they were struggling. They all complained that the small banias stopped coming to the old mandi yard – they were selling directly to the big traders. While a few of these earlier players have remained active as arhatiyas in the Ara vegetable bazaar, the others have shifted to other activities. An important factor is the increasing quantity of wheat being sent directly to mills. While this trend predates the repeal of the APMA, traders had to pay taxes (or bribes) to move grains across districts under the old regime. Now grain flows freely, benefiting not only large traders but also mill owners, most of whom are prominent politicians. In addition, corporate grain traders including Cargill India have entered the market, although almost nobody seems aware of this, including the press, and even the deputy chief minister stated that he was unaware of the entry of corporate grain trading firms.

No impact on farmers; “free” to go nowhere?

As in the past, farmers sell their surplus wheat and rice to village banias who then make sales in Ara. We also found no credit transactions between farmers and either village banias or traders in Ara, a finding consistent with a detailed survey of the credit transactions of 400 households that was conducted in the research village and surrounding village in 2007. This is therefore not a context where interlocked transactions, linking credit and commodity sales persist. And yet, the transformations that have taken place in grain markets have occurred at a regional level, having little direct impact on village agricultural activities. None of the dozens of farmers interviewed was even aware that the APMCs were no longer functioning, and even farmers in the villages where the corporate gowdowns were located were not aware that corporate grain traders had entered the market. When a group of farmers at one of the few functional Primary Agricultural Societies in Bhiya block were informed of this corporate presence right next to their village, and realised that these corporate firms were paying around 10% higher rates than what they were receiving, the PAC chairman called the firms office in Patna and was informed that, even if the PAC could deliver a large quantity of wheat, the firm’s policy is to only purchase from traders.

The argument, commonly voiced by the proponents of the abolition that farmers would now be “free” to sell wherever they choose, does not seem to represent the options that farmers can exercise in reality. Even when the APMC was ostensibly functioning,
primary producers did not market their produce in the regulated market, selling instead to the village bania who then sold to an arhatiya in the mandi. Farmers continued to do this, only now the village bania sells directly to larger traders, bypassing the arhatiyas who have been gradually squeezed out of the business. Corporate players in this area also were not buying directly from farmers or farmers’ organizations (although there was no restriction on such activity); they procured produce from the large traders in the local market.

**A repeal without much appeal; no alternate marketing infrastructure and channels**

The state government stated in 2006 that the APMCs were to be replaced with new markets through a PPP model, that would link 1500 haats and baazars in Bihar with secondary and then terminal markets and have recently released an agricultural roadmap. But, beyond planning and design, no significant progress has been made in actually constructing such markets even though detailed technical reports have been prepared with the assistance of the Asian Development Bank. Officials in the department of agriculture stated that the main obstacle was political resistance to providing public land (already existing mandi yards) to private sector actors. As one official put it, “We have the hardware, but we are struggling with the software - the political sensitivity of leasing public land to a corporation - we have to convince the cabinet.” During interviews, however, neither the CM nor the deputy CM even mentioned the need for these new markets, both expressing satisfaction with the current state of affairs. Deputy Chief Minister Sushil Kumar Modi simply said that agriculture markets were now “free” and should remain so (it is perhaps worth mentioning that the largest trader in Ara mentioned that he was in the room with the deputy CM when the decision was made to repeal the APMA). Chief Minister Nitish Kumar, meanwhile, emphasized the benefits to vegetable sellers (vegetable cultivation is the traditional occupation of Kurmis, the caste of the CM), stating that “now vegetable sellers can sell their vegetables freely without being harassed.”

But, perhaps there is a larger political-economic context to agricultural marketing regulation in Bihar that helps explain why APMCs remained underdeveloped and deteriorated under the RJD and why their abolition was politically feasible and attractive when the NDA came to power.
Interestingly, even though the old APMCs were considered RJD affiliated, in terms of caste composition, the mandi boards (very similarly to the cooperatives in Bihar) were Rajput dominated, and both had a historical legacy of Congress influence. While this will require more fieldwork to trace the networks from the mandi boards to the villages, based on Witsoe’s detailed study of the RJD’s long period in power we might conjecture that one of the reasons that the mandis were not allowed to function properly under the RJD regime had to do with the inability to dislodge them from uppercaste control. Under the RJD, mandis were weakened or allowed to deteriorate, their function basically reduced to keeping the BJP-affiliated traders in check (through, for instance, the frequent incidents of extortion mention above). After all, if the mandis disproportionately benefited Rajput farmers, who dominated the mandi boards, the RJD would have seen them as impedong the project of caste-based social justice. And since there was a Congress legacy, the NDA also would have had little incentive to resuscitate them, preferring to abolish them as a concession to the bania/trader community. Once again, this requires more fieldwork to confirm, but it does point the way for a deeper analysis of the political reasons that mandis were first weakened and then abolished, both with political effects, but with little substantive impact on the livelihoods of the primary producers, in whose name these actions were taken.

This is because the APMCs had long been dysfunctional and also because the activities of regional grain markets have never directly involved the farmer in either sales or credit transactions. There are an estimated 325 wholesale markets in operation across Bihar (and 1500 rural haats as mentioned above). Even before the abolition of the APMCs, there were only 95 regulated principal markets (of which Ara APMC was one) and of these only 53 had basic marketing infrastructure. These 54 markets had been established on lands covering 1595 acres, of which around 813 acres of land is estimated to be lying vacant (NIAM 2012).^6

For now, Bihar appears to join a number of states, including Orissa, West Bengal and Assam where the abolition or limited presence of regulated APMCs over the last several years have not managed to open the way for greater private sector investment in

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regional agricultural markets.\textsuperscript{7} This is in spite of the impressive improvements in agricultural production that have been reported in Bihar. The lack of available marketing infrastructure and highly dispersed and fragmented landholdings seems to still provide a significant deterrent to private players, who if they enter, such as in the case of Cargill, mentioned above, are likely to procure from large traders operating in these markets. In the absence of serious public investment in improving marketing infrastructure, this is a situation that is unlikely to change. Unlike Orissa, moreover, where the Regulated Marketing Committees are still in place, the lack of functioning mandi and cooperative systems has also made it difficult for Bihar to register the significant increase in public procurement of paddy and wheat that states like Orissa, Chhattisgarh and Madhya Pradesh have been able to recently achieve. But previous failures should not distract policy makers from the potential role that well functioning, pro-farmer markets could provide in spurring the agricultural growth and agro-industries that must ultimately be at the center of Bihar’s development model. In this context, Madhya Pradesh’s incremental approach to mandi reforms might provide some important insights into the possibilities and limitations of regulatory interventions and the establishment of viable alternative marketing platforms.

**MADHYA PRADESH**

In the context of agricultural marketing innovation, Madhya Pradesh (MP) is perhaps best known for being the first state to allow a private corporation, ITC, to establish its own licensed procurement yards outside the main regulated APMC across market towns in the state. These hubs, known locally simply as choupals were part of ITC’s high profile “e-choupal” initiative to promote both procurement and distribution through a new corporate rural business channel. This began in the early 2000s with the creation of soya choupals, before adding wheat purchasing as well, and was made possible by the amendment (even prior to the Model APMC Act) to the MP Mandi Act, 1972 to enable the establishment of what are known as single-license yards. As a result, MP became the site of a number of case studies documenting this popular example of a BOP (Bottom of the Pyramid) strategy.

\textsuperscript{7} See “Where dismantling APMCs doesn’t help farmers” by Sandip Das in *The Indian Express*, 5 June 2012
What is less well known, however, is that MP has had a longer and rather remarkable history of mandi reforms, dating back to the early 1980s, when the state government undertook an ambitious initiative to reorganise the mandi system, followed by a series of measures over the next two decades. In contrast to the Bihar experience of deterioration followed by abolition, MP has seen state successive governments view the mandi as a site for incremental but highly significant reforms. But, here too, these have not always been in the same direction, and in every instance have involved the cultivation of different electoral constituencies and the making of necessary political concessions. Krishnamurthy’s ethnographic research conducted over the last five years tries to trace the implementation of these reforms, grounding her analysis in the the interactions and interconnections of one major mandi in Harda district. In the process, a few important insights emerge, which while derived from detailed fieldwork in one site, may have wider relevance for a comparative study of marketing regulation and reflect on the possibilities and limitations of mandi reforms across diverse contexts. This paper presents three key findings.

**The elimination of commission agents: political calculus and productive conjuncture**

*Kacha arhatiyas* are a ubiquitous figure in agricultural markets across many parts of India. They are a particular kind of arhatiya or commission agent: one that operates between the farmer and the buyer of his/her produce, an agent who typically establishes long term relationships with cultivators, based on credit advanced before the harvest and tied to the marketing of their produce. Kacha arhatiyas, then, are not only an important source of agricultural credit, but in many cases, critical to the organisation and management of the market yard, where they are responsible for auctioning the produce and making payments to farmers. Across markets, arhatiyas are known not only for deducting a commission from farmers, but also a whole series of practices, especially delayed payments and wrongful weighment, which producers are often not in a position to challenge. In some states, such as Punjab and Haryana, arhatiyas have formed strong political lobbies and make it very difficult for governments to deal directly with farmers, for instance, in making direct payments to farmers during public procurement.

Until the early 1980s, kacha arhatiyas were prominent figures in mandis across MP, where they ran their credit-cum-commodity businesses, conducted the auction of
produce sold through them, and controlled the infrastructure in the market yard. It is therefore no small feat that around this time the state government was able to successfully abolish the system of commission agents (*kachi arhat pratha*) and put in place a direct auction, now run by a state-appointed auctioneer. Interestingly, officially, the MP State Marketing Act (1972) prohibited a commission from being charged to farmers in the mandi, but in practice this not only existed, it defined the first transaction inside the market yard. It was only in the early 1980s, however, as a result of a high-powered, political move by the Congress government in power that the Act was enforced, abolishing the kachi arhat system in MP. Why was this done at this particular juncture?

The Minister for Agriculture at the time, Digvijay Singh, who is largely credited with the move by those familiar with the politics of this period, was open when interviewed about the political calculus at work. First, the elimination of the arhatiyas was an attack on traders, who are considered a loyal base of the main opposition, Bharatiya Janata Party (BJP), often called the “bania party.” Second, the abolition was publicly justified as an act intended to “liberate the kisan” from the clutches of middlemen and was seen as a strategic move by the Congress to expand its own narrow social and political base by reaching out to a potentially much larger constituency, that is, the state’s farmers, especially the OBCs, dalits and adivasis among them. Third, the state needed to overhaul mandi governance if it wanted to capture a greater share of the revenues from the higher volumes and value of the agricultural commodities coming into the market as a result of the new investments in production, including canal irrigation and most importantly, the spread of soybean. The abolition of the kacha arhatiyas, then, was a critical first step towards dislodging the mandi from trader control and evasion.

The reform was implemented gradually across different mandis, and in Harda (where it happened in 1982-83), it is described as a revolutionary (*krantikari*) act, fundamentally reorganising the market yard and eliminating a whole layer of intermediaries that had long been considered indispensible to the running of the mandi. Over the next few years, except for 5-6 firms, the vast majority of the 35-40 arhatiyas that had operated in the old mandi closed their businesses and exited the trade. Most of them did not have the capital or the network of contacts to survive the switch from their credit-based commission agencies to trading in the new cash or *nagad* mandi.
In this respect, both the episodes in MP and Bihar, over twenty years apart, witnessed the elimination of smaller arhatiyas in the aftermath of these interventions. The differences, however, are equally telling. First, while Ara’s public mandi became defunct, in Harda, a new crop of traders, some of them emerging from the ranks of munims and managers in larger firms, took up licenses and entered the regulated market to trade on their own account. The regulated mandi, rather than a privately organised marketplace, became an active site of exchange. Second, and most importantly, while the farmers in Ara remained unaware of the change, continuing to sell their produce to village banias and aggregators, in Harda, not only did farmers continue to come to the mandi to sell directly to traders, they did so under new terms, where their grain sales were no longer tied to credit advances by commission agents.

What this case very effectively demonstrates is the vital importance of the conditions of agricultural production in the relatively successful implementation of this marketing reform. In this case, the pattern of landholding, spread of irrigation and a transition in crops were critical aspects of this story.

In Madhya Pradesh, Harda district stands out for its relatively large landholdings, which are double the size on average than the rest of the state (4.43 ha in Harda to 2.02 ha in MP). Further, Harda is remarkable for the fact that small and marginal farmers (below 2 ha) comprise only 37 percent of landowners in the district, an almost exact inversion from the rest of Madhya Pradesh, where 68 percent of all farmers own such small and marginal parcels of land. On the other end, while only 12 percent of farmers across MP own land above 4 ha and only 1.5 percent above 10 ha, in Harda, medium and large farmers account for 36 percent of all landholders and those with over 10 ha alone contribute 9 percent of the total. Farmers from the Scheduled Castes (SC) and Scheduled Tribes (ST) comprise around 13 percent and 15 percent of all landholders respectively, the majority of whom own small and marginal plots.\(^8\) Land ownership in Harda lies mainly in the hands of the four major cultivating castes – Gujjars, Rajputs, Jats and Bishnoes. Among them, the Jats and Bishnois, while numerically smaller, have been the most aggressive acquirers of land for cultivation.

\(^8\) Data on distribution of landholdings is from the Agricultural Census website: http://agcensus.nic.in/
At the same time, these same medium and large farmers had been closely tied up with kacha arhatiyas and most heavily dependent on the commission agents for credit. This rapid de-linking, then, would not have been possible in the absence of concomitant improvements in agricultural production. In Harda, the abolition of the kachi arhat pratha coincided with a period in the early-to-mid 1980s which saw the arrival of canal irrigation (the Tawa Canal) and the replacement of dry, long-duration, labour and input intensive cotton with a short-duration and far less input-intensive oilseed, soybean, followed by a second season of irrigated winter wheat. This was therefore an especially productive conjuncture, where farmers quickly followed these major public investments with a range of private investments to increase their cultivable area and improve production. Across the board, farmers agreed that in the absence of the kacha arhatiyas their borrowing was, for most of them at least, no longer linked to claims on their grain. In many cases, this did mean managing more sources of credit in the village and the town, especially since they were making new investments in the production process, including in tractors and other inputs, as well as experiencing increases in household consumption. Most notably, however, the new mandi was no longer considered an important site for credit, even as it grew, enhanced by the growth in agricultural production, in terms of volumes traded in cash.

The importance of concomitant interventions in production were further underscored when 2009, the mandi functionaries tried to regulate the local sabzi mandi and similarly eject the arhatiyas from the local market for fresh produce. However, in this case, the arhatiyas were back in action within a fortnight. Here, the mandi committee did not have the necessary manpower to run multiple, simultaneous auctions for perishable produce that had to be quickly sold (unlike the soybean and wheat auction which could be conducted throughout the day, this mandi had to conclude its sales rapidly to catch the morning bazaar). Moreover, the sabzi mandi predominantly ran on credit supplied by the arhatiyas not only to the producers (in this case, overwhelmingly small and marginal farmers) but as importantly to the many small vendors, who bought small quantities of vegetables on credit that the arhatiyas would collect later on, after the day’s sales had been made in the bazaar. In such a context, enforcing the Mandi Act proved rather pointless in the end and indeed, the state government has now removed fruits and vegetables from APMC regulations.
**Mandi Committees: the emergence of kisan netas and the power of party politics**

In the 1990s, Digvijay Singh, now Chief Minister, suspended mandi elections across the state and placed Officers-in-Charge on the ground in major mandis. In Harda, however, while the commission agents had been dispatched, farmers recall that this was a period where malpractices continued to be rife, especially in weighment, and farmers were poorly treated. In fact, many farmers felt that the situation had indeed deteriorated since they no longer had long-term ties with their arhatiyas, who, while exploitative, used to also maintain a standard of service and good conduct in order to retain their business.

In 2000, the state government reinstated mandi committee elections, but this time with a major difference. To begin with, one of the most important amendments tightened the definition of who qualifies as a “pure farmer” and therefore tried to enforce more rigorously the eligibility criteria for representatives of agriculturalists on the Committee. It did so by introducing a series of exclusions, both through kin relations to trading families and the ownership of commercial assets as proxies to reduce the possibilities of a trader slipping in under the farmer's proverbial turban. At the same time, the mandi electorate was expanded to include all the landowning farmers in the notified area and they were made directly responsible for the election of the Mandi Chairman in addition to the ten other farmer representatives on the Committee. Previously, the Chairman, who is a key signatory in routine mandi work and the passing of orders, was appointed by a vote of the Committee, a nomination process that was often captured, both through political pressure and monetary inducement by powerful trading parties. By mandating the direct election of the Chairman, it was hoped that even under the inevitable influence of party politics and trader financing in the highly contested mandi arena, there would still be greater potential for the emergence of genuine farmer representatives at the helm of Mandi Committees. As one of the most experienced Mandi Board officials explained to me, “Handing power back to the people after the Emergency is an exercise in itself. We knew we had to conduct elections and that everything would be undone if we were not prepared. We also knew that every newly elected Mandi Chairman, having won this contest, which would become even more high-profile because of direct elections and growing mandi incomes, would think that he is as big as the MLA of his area. So, we had to appear respectful, while at the same time, sending out clear signals about their powers and responsibilities and their limits.”
In Harda mandi, this election saw the emergence of a man widely regarded as the first “Kisan Neta” to head the Mandi Committee. A MSc in Agriculture and a progressive Jat farmer with 90 acres of land, he is known for having led the charge, along with local farmers’ organisations, to install MP’s first electronic weighbridge in the mandi. He also deployed a portion of the mandi income (in Harda, mandi fees rose from Rs. 52 lakhs in 1991-92 to Rs. 90 lakhs in 1995-96, multiplying by over five times this amount to the range of Rs. 5–8 crores annually between 2007–2010) to improve yard infrastructure, building a rest house for farmers, installing fans and water coolers, and covered sheds for auction platforms. Over the next decade, Harda mandi became one of the most infrastructurally advanced yards in the state, known as one of MP’s adarsh APMCs.

Over the course of the same decade, however, farmers, traders and mandi functionaries all agree that the mandi committee has become increasingly politicised – a party-based election, officially conducted without symbols. In a move that has been widely criticised, moreover, the BJP Chief Minister, Shivraj Singh Chouhan has now rolled back direct elections and returned to the old nomination system, where the party who wins the most seats will control the Chairmanship rather than have an independent candidate potentially emerge. In the December 2012 elections in Harda, this became even more blatantly apparent when the chairpersonship of Harda mandi was reserved for an adivasi mahila candidate. Neither the Congress or the BJP candidates had ever stepped foot in the mandi. Even as they have become more party-politicised, the day-to-day functioning of the mandi yard has been increasingly detached from the Committee, as functional powers have moved to the Secretary (appointed by the Mandi Board), who depends on his staff to run the auction, monitor weighment, and ensure that timely payments are made. It is in the domain of construction, however, and infrastructural upgradation, across mandis in MP, where new levels of contracting and corruption, seem to also be flourishing.

**Mandis and hubs: competition and comparative advantage**

It was the elimination of kacha arhatiyas and the de-linking of credit from commodity marketing in the early 1980s in Madhya Pradesh that in an important sense made in possible for the state government to later open the way for direct procurement centres to be set up two decades later in the early 2000s. Direct marketing would have been much
harder for both public and private players to set up if farmers were still dependent on credit advances from commission agents. On the other hand, we have seen from the findings in Ara presented above that in Bihar, even when farmers are not dependent on the village bania for credit, they are still not able to exercise the option of selling directly either in a mandi, to larger traders, or to private corporations where they are present. Equally, while the APMC system is widely considered monopolistic, shutting out competition and new buyers, we have also seen that the abolition of APMCs does not automatically attract private corporations and private investments into a state’s agricultural markets. In Madhya Pradesh, in contrast, the presence of a well-established and regulated mandi system, albeit with uneven implementation and significant weaknesses, was an important factor in drawing private participation, by ITC and other corporations into these markets, especially in oilseeds and foodgrains (wheat). Unlike Bihar, all of the estimated 241 principal wholesale markets in MP are under state regulation with 241 APMCs and a further 276 sub-market yards. (There are an estimated 1300 rural primary markets or haats, which are much more weakly formally regulated and as the mapping exercise undertaken as part of this project illustrates, the spatial distribution of mandis in MP is skewed to the western and central parts of the state, with few regulated markets in the underdeveloped eastern districts of the state.) The move to open up the marketing system to private procurement hubs, moreover, was supported by both Congress (who initiated the APMC amendment) and the BJP government who upheld it in 2004 against massive opposition from the traders who are supposed to be at the core of the BJP’s political base.

The fact that ITC’s choupals provided an additional option to the mandi but did not have to fill an infrastructural vacuum, gave rise to an important effect: competition. In Harda, the arrival of the choupal outside, but only a short distance from the mandi yard pushed the Mandi Committee and the Mandi Secretary to actively upgrade market infrastructure, adding another electronic weighbridge and further tightening processes. In light of the new corporate competition, as the Mandi Secretary put it, the “mandi can either compete like BSNL, or like MP Roadways, it would be overrun by private operators.” In responding to competition, moreover, the mandi also revealed some of the critical advantages that it maintains over private procurement hubs, whether private (like ITC) or public (such as government wheat procurement centres).
First, although barriers to access (especially distance) still persist, the mandi remains the most inclusive regulated marketing option. Hubs such as ITC’s choupal only procures from farmers that are part of its network and although it has made considerable efforts, the corporation continues to find it difficult to reach small farmers, depending primarily on medium and large producers. The government’s wheat procurement centres, on the other hand, are in principle open to all farmers, but the need to furnish the Rin Pustika and landholding certification means that some farmers, especially adivasi farmers without title deeds or those who have taken the land on lease, run into trouble. In the routine mandi, farmers do not have to furnish identity proof, just provide their name and village, and payments are made in cash. This does mean that village traders and aggregators can also easily sell in the mandi as well, but it does not prevent any farmer from doing so either.

Second, mandis – especially after the improvements in road conditions – are open and relatively accessible all year round. Most procurement centres – whether ITC’s choupals or government centres – only operate in the immediate post-harvest season for a period of three months. Depending on both commercial and political calculations, their procurement windows can also change, and they may not even open at all during some seasons. The mandi, on the other hand, stays open throughout and therefore if farmers have the capacity to hold, they may sell in the mandi during the off-season, possibly at higher prices.

Third, mandis are still the only physical, regulated multi-commodity markets in Madhya Pradesh. For instance, the government only procures wheat from mid-March to June, but if a farmer wishes to sell soybean at that time or sell wheat after the monsoon, he will have to sell in the mandi to private traders. Similarly, ITC’s choupal or Ruchi Soya’s hub will only procure soybean. Farmers can therefore not use these platforms to market other commodities that they may have held off on or have small quantities of after sowing their next crop. They can also only sell two different commodities on the same day in one place – the mandi – whereas they will otherwise have to visit both the procurement centre and the mandi.

Finally, unlike single-buyer procurement hubs, mandis are regulated multi-buyer marketplaces. They are therefore the only regulated sites to hold open auctions with
multiple buyers looking to buy a range of commodities, at different quality specifications, and at different prices. In contrast, ITC (quite understandably for its purposes) routinely rejects produce that falls below its Fair Average Quality (FAQ) specifications or only purchases certain varieties of wheat from a given market in a particular season. Government agencies, on the other hand, frequent succumb to pressure and procure wheat that is below FAQ at the same high price as all the other lots, adding to the already significant costs of public procurement. Since the mandi has a range of licensed private buyers, who procure with a variety of strategies in mind, the auction tends to be a better mechanism for variable quality produce, where every lot is almost certain to find a buyer.

This is not an unproblematic observation. Certainly, trader-dominated local mandis can keep out new players from entering the market. Further, the fact that the mandi absorbs low quality produce also points to the common practice of “mixing” in the mandi, which compromises quality throughout the chain, and can incentivize farmers not to invest in cleaning and grading their produce, or to try to pass off one quality for another. At the same time, given that farmers not only in Harda, but across most of India experience micro-variations in production conditions, sometimes within the same season and even across two adjacent plots of land, balancing the discipline of standardisation with the ability to integrate variations in quality is a serious challenge that must be met. Multi-commodity, multi-buyer markets, moreover, are quite distinct from single-commodity, single-buyer, post-harvest procurement centres and play a vital and distinctive role in a marketing system. Unfortunately, here, a true alternative to APMCs – privately managed, competitive, multi-buyer spot exchanges – are yet to emerge as serious, viable options, especially at the primary market level. In the meanwhile, it is hoped that these field-level insights from Ara and Harda and the different trajectories of regulatory reforms in Bihar and Madhya Pradesh, provide a sense of the politics involved and the possibilities and challenges of making and managing agricultural markets where they matter most.