

Commission Agent System What Ought To Be Done

SUKHPAL SINGH, SHRUTI BHOGAL

Responding to the critique of their article on the commission agent system in Punjab, the authors highlight the perils of private solutions to agrarian problems. They propose an enhanced role of the public sector in obliterating the exploitative stronghold of *arthiya* system in order to protect the interests of farmers and address the problems of Punjab's agrarian economy.

Sukhpal Singh's article on "*Arthiyas* in Punjab's APMC *Mandis*: Inadequate Analysis and Solutions" that appeared in *EPW* on 9 April 2016 is a critique of the article "Commission Agent System: Significance in Contemporary Agricultural Economy of Punjab" published in *EPW* by us on 7 November 2015. The economists and thinkers debating on inherent problems of commission agent (*arthiya*) system point to the broad realisation of the gravity of this issue.

Both articles advocate curtailing the role of this system in the agrarian economy but with different road maps. The original article stresses on the role of the public sector, whereas the critic looks upon the ongoing process of liberalisation as a measure to remove the middlemen.

Irrelevant Arguments

The critic has challenged the analysis without providing empirical or theoretical basis to support his strong words. The reference at the beginning of the original article, to inflation and subsequent elimination of fruits and vegetables from Agricultural Produce Market Committee (APMC) Act, was for better understanding of the significance of the study, and is not the article's core subject. The opinion expressed in the critique that this reference takes away from the study, is irrelevant.

Majority of the *arthiyas*, dealing with foodgrains, in Punjab are *kachcha* *arthiyas*. They act as middlemen between buyers and sellers, and do not purchase from farmers on their own account. The original article specifically focuses on the role of these *arthiyas* in the rural agrarian economy. The need to discuss *pucca* *arthiyas*, therefore, did not arise. This has been needlessly argued in the critique.

The knowledge of the authors has been impulsively contested based on a

non-existent argument that the farmers pay commission to *arthiyas*. It is common knowledge that commission agents collect commission from the buyers and not from the farmers. Contrary to what has been stated in the critique, this fact has not been put otherwise anywhere in the original article.

Public vs Private Solution

Reducing the role of the state and enhancing that of private players in agrarian market through direct purchase system, private wholesale market, restructuring of APMC Act and contract farming were the plausible solutions stated by the critic to deprecate the *arthiya* system. Encouraging such models entails various challenges contrary to the interests of farmers, especially small farmers.

(i) Role of State and APMC Act

Non-restructuring of the APMC Act in Punjab has been blamed in the critique for the problems in the state's agricultural marketing. Though restructuring of the APMC Act may abolish existing commission agent system, what cannot be ignored is the detrimental role of private players that comes with the package. While the commission agent system would reappear in some form to facilitate private firms, privatisation would have lasting antagonising implications. The interface between farmers and private firms can challenge protection of farmers' income and sustainability (Vijayshankar and Krishnamurthy 2012: 34-37).

The state's role in safeguarding the interests of farmers cannot be negated. The critic writes, "It is surprising that when the state should control less of markets in a state like Punjab where it has caused enough damage, Singh and Bhogal argue for an enhanced role of the state." Making the bureaucracy and the government liable and competent is the ticket to comprehensive development. Dormancy of the government and pro-activeness of private players increases economic disparity. Therefore, as intellectuals, to check the incompetence of the government and constantly strive for pro-masses policies should be our commitment.

Sukhpal Singh (sukhpalpau@yahoo.com) is the head of the Department of Economics and Sociology, Punjab Agricultural University, Ludhiana. Shruti Bhogal (shrutibhogal@gmail.com) is a research fellow in the same department.

It is easy to talk about APMC Act reforms without comprehending the complexities of agricultural markets (Krishnamurthy 2012). Strengthening of public procurement system and APMC is vital. In the absence of APMC, the farmers in Bihar resorted to distress sale of wheat at ₹800–₹900 per quintal; whereas farmers in Punjab with the APMC intact, were able to sell at ₹1,310 per quintal (Sharma 2014). Ever since, Bihar has not seen any revolution in the agrarian markets, rather the farmers are often left in lurch (Sharma 2014). The critic himself has highlighted the plight of small farmers in such markets; and that such markets suffer from lack of infrastructure and no checks on malpractices (Singh 2015). Restructuring an efficacious marketing system, managed by Punjab Mandi Board, with a network of well equipped 151 regulated markets and 275 sub-yards spread over 12,581 villages is far from being rational and constructive.

(ii) Realities of New Initiatives

The critic suggests new initiatives to abolish the commission agent system. He remarks about the authors,

They are unmindful of the new initiatives like the FPCs [Farmer Producer Companies], and unaware that mechanisms like direct purchase from farmers and private wholesale markets could provide a break from the past.

The direct purchase of grains by private firms can entirely bypass the minimum support price (MSP) system which is the only hope for crisis-ridden farmers. At a time when intellectuals, political parties and farmer organisations have been demanding implementation of the Swaminathan Report for enhancing the MSP, arguments by the critic would automatically enable the government to dodge this farmer-friendly proposal.

The critic proposes contract farming, which is an attempt to promote corporate farming in guise. Various studies have shown that contract farmers have suffered due to undue price deductions on quality parameters, delayed payments, vagaries of nature, and raised cost of production (Rangi and Sidhu 2000: 15–23; Satish 2003: 603). Manipulative provisions of contracts exploit the poor farmers (Singh and Asokan 2005). The

critic himself highlighted the plight of small farmers and the preference for medium and large farmers by contract farming firms (Singh 2012: 95–105). Hence, proposing contract farming to evade the exploitation of farmers, especially small farmers, is ironical.

The argument for FPCs has intrinsic problems. Farmers face difficulties as they are illiterate, resource poor, lack in-house professionals, are unable to raise capital from outside, etc. This concept has neither historical nor practical basis. The critic himself holds out that these institutions being commercial entities, are unable to access benefits like state grants, export incentives, tax exemptions, land-lease at nominal rate, marketing support, etc unlike cooperatives (Singh and Singh 2013). Hence, the proposed cooperative marketing system in the original article is gainful.

The critique argued for diversification with wheat and paddy as another initiative to abolish commission agent system. The original article discusses the dependence of farmers on commission agents who act as suppliers of credit and farm inputs, and bind the farmers to sell their produce through them. Apparently, crop diversification offers no remedy to the role of these agents and aforementioned dependence. Moreover, the implementation of crop diversification programmes has not been fruitful in the state as no considerable progress has been made ever since the Johl Committee on diversification of Punjab agriculture submitted its report in 1986.

The critic is also a proponent of National Agricultural Markets (NAM). This has its own demerits, especially for surplus states like Punjab which have extensive network of *mandis*, vast infrastructure and an effective procurement system. Almost all farmer organisations are opposing NAM and arguing that the sole agenda behind such initiatives is a concerted effort to do away with MSPs and honour World Trade Organization agreements. The online dealing under NAM system might not be very successful when a large proportion of farmers are illiterate. A study highlights that small and marginal farmers might not benefit from the proposed electronic portal of

NAM (Dey 2016: 35–39). Markets are flooded with farm produce within 10 to 15 days of harvesting. During this short window, assuring the sale of produce at the best price without the present procurement system would be difficult.

Trivialising the role of public sector in the agricultural market system will have malignant implications. We need to prioritise framing of initiatives which would save the farmers and abolish the commission agent system. On the contrary, focusing on policy initiatives which while abolishing the system would be detrimental to farmers is unreasonable. There is an urgent need for the learned of our nation to understand that the inherent problems of our economy have to be sorted in a manner which favours the masses.

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Gyan Deep

Near Firayalal, H. B. Road
Ranchi 834 001, Jharkhand
Ph: 0651-2205640