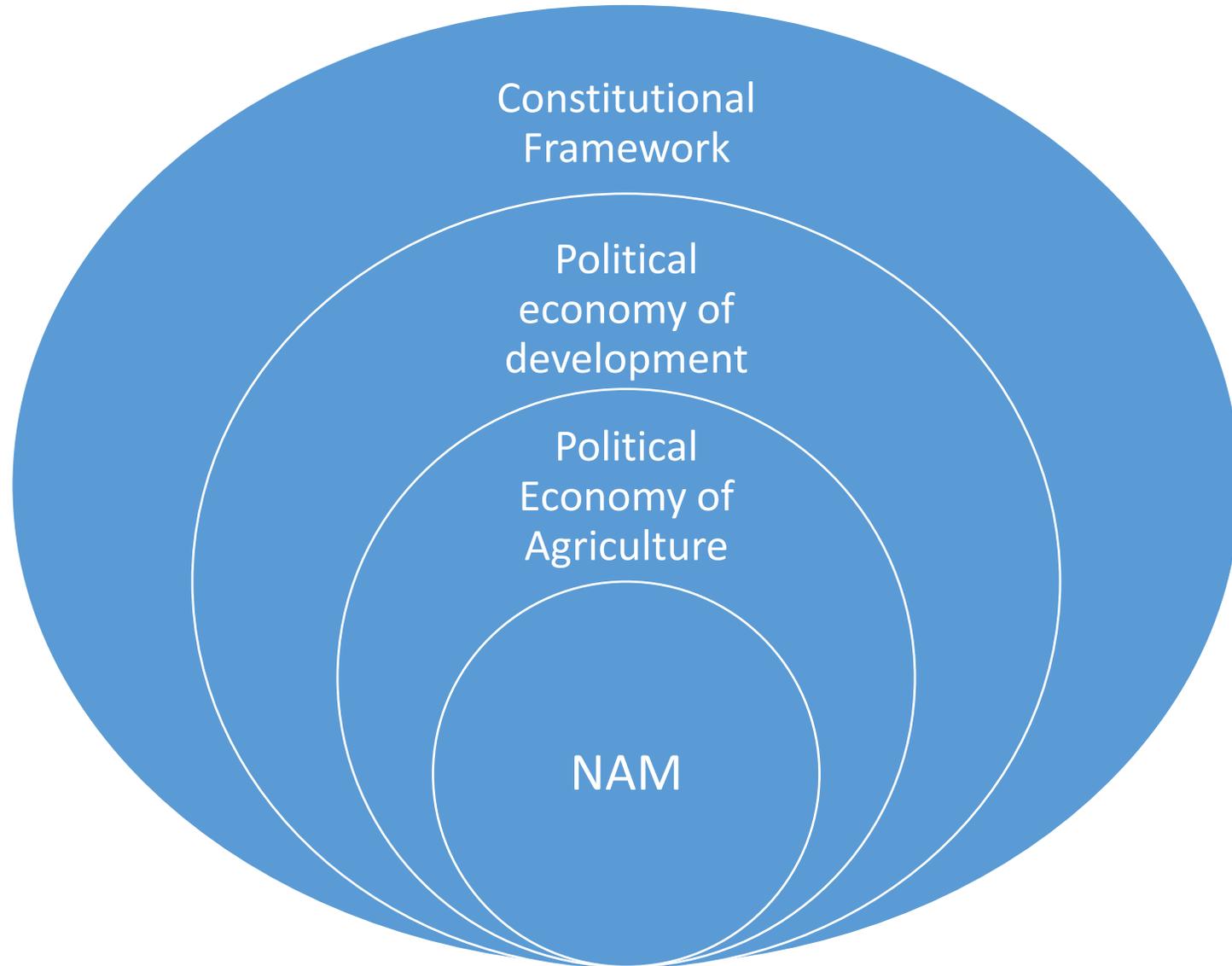


National Agriculture Market  
and the  
Political Economy of Agriculture Marketing

*A practitioner's perspective*

# The Context of Agriculture



# India's political economy model – 3 views

## Pranab Bardhan:

- Political but no social revolution in 1947
- **“Alliance of domination”** between three dominant classes: rich agriculturists, capitalists and professionals – not rigid or exclusive but in dynamic movement over time
- No one class powerful enough to impose its own agenda fully, hence constant competition, collaboration and compromise
- Central role of rents as each class seeks maximum returns on its “assets” – land, capital and office
- Compromise outcomes: capitalism in a “mixed economy”; incomplete land reforms; restrictive labour policies

# India's political economy model – 3 views

## Sudipto Kaviraj:

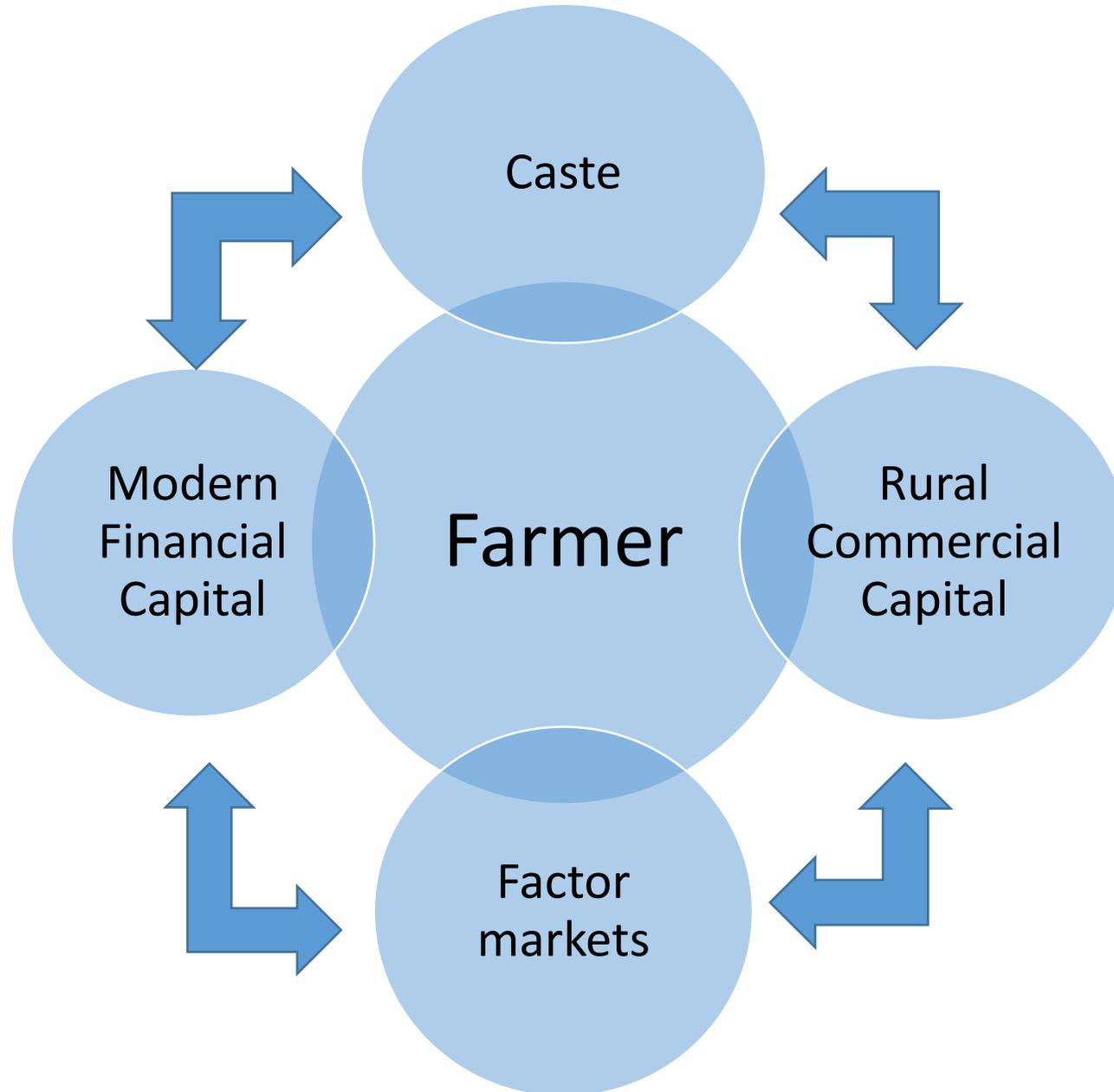
- Agrees with “Alliance of domination” view; disagreed with “passive revolution” idea
- Identified “state reproduction of capital” as main function of power
- Control of bureaucracy vital to achieve directed investments (and seek rents)
- Even incomplete structural adjustment led to long term changes in power of economic groups (e.g. feudal landed elite overtaken by rich farmers in Green Revolution area; old industrial families upstaged by new entrepreneurs using bribes to manipulate policy)

# India's political economy model – 3 views

: Partha Chatterji

- Studied bureaucratic functioning and explored gap between policy and practice
- “Outer domain” of rules and “Inner domain” of culture”
- Porous nature of institutions – adoption of “patron-client” culture: weak enforcement of rule based functioning

# The Political Economy of Agriculture



<b>Factor Markets</b> <b>Land, Labour &amp; Technology</b>	<b>Rural Commercial</b> <b>Capital</b>	<b>Modern Financial</b> <b>Capital</b>	<b>Caste</b>
<p>Land reforms mostly subverted by feudal forces, save in few States; tenancy illegal; 85% hh own 40% land; poor state of land records; social causes of fragmentation and disincentives for consolidation; frozen rural property markets</p>	<p>Big farmers, moneylenders, traders, rural SMEs dominate RCC landscape; seek political patronage to maintain pole position on rural savings and credit; key role in financing elections</p>	<p>3 major waves:  i) Coops  ii) Bank nationalization  iii) MFIs</p> <p>All weakened by RCC; 40% farmers reported access to institutional finance for ag (15% SMF)</p>	<p>Remains bedrock of rural power relations; determines asset ownership, access to skills; influences economic choices</p>
<p>Labour mobility discouraged; low priority to mechanization</p>	<p>Tied credit for farming key product; also offer savings, consumption loans against collateral, recently commodity financing</p>	<p>Globalization of agriculture (esp. cotton, soybean, sugar, basmati) has weakened RCC, strengthen MFC in pockets, but no sizable impact yet</p>	<p>Political empowerment of socially marginalised communities has helped weaken feudal power in some regions</p>
<p>Technological divide between better and less endowed regions; increase in disparities</p>	<p>Resisting intrusion of MFC common agenda; capture of coops and mandis; weak enforcement of laws amid legal cover for RCC</p>	<p>WHR, futures trading, futures trading, Jan Dhan etc. have promise but yet to show impact</p>	<p>Rising castes have not imbibed market economy principles; revert to older modes of transaction; impact on agriculture marginal</p>

# The Context of Agriculture Marketing

- Key stakeholders in agriculture political economy not inclined towards reform as it unsettles established power balance
- Disconnect between the larger movement of economy towards market principles and behaviour of agricultural economy: root cause of frequent crises, volatility and distress to weakest stakeholders (e.g. production technology, marketing, trade)
- Agri market reforms attempted by stealth, episodically, in isolation of the larger context of agriculture have not succeeded in meeting objectives
- Global experience shows reform of factor markets precedes opening up of commodity markets for competition, unlikely to be different for India

# NAM

- Challenge of creating a unified market for agri produce amid pre-modern production and marketing practices
- No global model of large scale agri commodity e-trading
- NAM a compromise solution: APMCs to host platform; private sector role minimised; DNA of physical mandis embedded in NAM
- Roll out marked by passive resistance
- Confusing signals from GOI: delisting of specific commodities even as NAM is pushed
- Lack of conviction to legislate trade option
- Larger role for NAM difficult without basic reforms in agriculture