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Reforming Agricultural Markets in Punjab in the Federal Context for Post-COVID-19 Recovery

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CDEIS Policy Brief Series on Punjab Economy

The COVID-19 pandemic has shaken the economies globally and added to the existing problems and their intensity like climate change, poverty, unemployment, migration, education, and of course, health. Developing economies have suffered even more due to their vulnerabilities to such sudden and large shocks. India is no exception to this trend and has regional variations in the impact of COVID-19 as there is much disparity and specificity in the levels of development of state economies. Punjab being an agriculturally grown state though still highly dependent on its agriculture and rural non-farm economy for significant proportion of its population and their livelihoods in the presence of public resource crunch has also faced this COVID-19 onslaught while being in economic, social and environmental crisis.

In this context, it was thought fit to get an independent set of policy directions from scholars in their respective domains based in Punjab, outside Punjab and even overseas to encourage public policy debate in and outside the state about the nature and magnitude of Punjab's economic and developmental crisis and the COVID-19 implications for it and explore possible ways forward to make the economic and social systems of the state move out of the situation of economic and policy inertia.

The policy briefs in this series numbering more than 20 examine issues ranging from agricultural sustainability, environmental and market aspects of the agricultural systems to allied sector and informal and small-scale sector livelihoods including dairy and MSMEs. The marginalised group livelihoods like women, schedule castes, and farm labour and other rural and migrant workers also get adequate attention. The sectors of health and education are also examined. On the fiscal front, institutional credit for recovery and revenue of the state post-GST are analysed. The larger aspects of governance, federalism and diaspora also get a coverage as contextual and overarching themes.

We hope that these briefs would serve to encourage more informed debate and discussion in the interest of the betterment of the state economy and society to aid post-COVID recovery and medium and long-term sustainable development policy making.

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Abstract

That reforms in agricultural markets are long due is not disputed though the nature of such reforms is under question. This was evident from the way the perishable produce farmers experienced losses during the COVID-19 pandemic though the wheat procurement was smooth due to the fact it was procured by state agencies, by and large. Punjab has either lagged or has taken adverse steps which were not in tune with the Indian trend in agricultural market reforms. For example, it did not (with the exception of provision of private markets in 2006) amend the APMC Act substantially until recently (2017) and had enacted a completely unnecessary separate contract farming Act in 2013 which was never operationalised. Recently, when the Union government has enacted Acts on two major state domains i.e. on agricultural trade area outside the APMC market yards/sub-yards and, on contract farming, Punjab again needs to take a call on its agricultural marketing legislation (APLM Act, 2107 with rules framed in 2020) to make it in tune with the Union legislations or take its own route in agricultural market reforms. In this context, this article reviews the state of agricultural markets and agricultural market policy and regulation for their potential role in agricultural market development. It examines the Union model APLM (2017) and APLCF&S (2018) Acts and amended Punjab APLM Act, 2020 as well as the two recent Union Acts for their implications for Punjab. Finally, the article suggests an agricultural market reform map for Punjab and mechanisms for bringing about desired type and level of agro-market development in the state in tune with globalisation and local needs of the farmers of the state in the light of post-COVID-19 agricultural recovery.

Reforming Agricultural Markets in Punjab in the Federal Context for Post-COVID-19 Recovery

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1. Introduction

Agricultural markets are central to agrarian transformation in Punjab but they are not being reformed as needed. Though Punjab was a pioneer in the 1990s allowing new channels like contract farming when other states were not even thinking of it yet, has fallen back on the reform front quite a bit. Now when the Union government has been persuading the states for reforms since early 2000s, Punjab has either lagged behind or taken adverse steps which were not in tune with the Indian trend. For example, it did not amend the APMC Act substantially until recently (2017 with rules notified in 2020, with the exception of providing for private markets in 2006; PMB, 2006) and enacted a separate contract farming Act in 2013 which was not needed and was never operationalised (Singh, 2013). Now, when the Union government has passed and enforced two Acts on two major state domains i.e. agricultural trade outside the APMC market yards/sub-yards and on contract farming, Punjab again needs to take a call on its agricultural marketing legislation to make it consistent with the Central Acts. In this context, this article reviews the state of agricultural markets and agricultural market policy and regulatory reforms in section 2 for their potential role in agricultural market development and reforms. It examines the Union Model APLM and CF&S Acts and amended Punjab APLM Act, 2017 for their implications for Punjab in section 3. Finally, in section 4, it suggests an agricultural market reform roadmap for Punjab and mechanisms for bringing about desired type and level of agro-market development in the state which is in tune with globalisation as well as local needs and aspirations of the people of the state in the light of post-Covid-19 recovery of the state's agricultural economy.

2. Understanding Agri commodity markets of Punjab

Punjab's agricultural markets comprise of the wholesale grain and perishable produce markets known as Agricultural Produce

Market Committee (APMC) markets and are supposed to be regulated, by and large. But, the most powerful stakeholder in these markets today is the Commission Agent (*Arthiya*) who is the product of the Green Revolution and the state led procurement of food grains and cotton by the Union government agencies like Food Corporation of India (FCI), and Cotton Corporation of India (CCI) from the state for decades now. The estimated number of Commission Agents (CAs) in the grain and cotton (APMC) markets in Punjab is 20232 and average number of farmers per CA is 52 (Singh and Bhogal, 2015). The inter-locking of the credit, input and output markets by the *Arthiyas* in the state has led to farmer indebtedness in the context of poor institutional credit reach which is both inadequate and costlier due to higher transaction costs despite its lower interest rate. The system of payment for the farmer produce through the CAs is the root cause of trouble for farmers as CAs who do unregistered and informal money lending at high rates of interest, and supply farm inputs and groceries to farmers on seasonal credit, besides the commission they get from public and private agencies for facilitating sale of farmer produce to them, recover their loans through this system of payment though the farmer produce is mostly bought by state agencies i.e. FCI and CCI or those authorized by them (Singh and Bhogal, 2015). It is in this context that the issue of direct payment to farmers for their produce has been hanging fire for so many years by now and remains unresolved despite the Union government push for the same.

That CAs have become well entrenched in the agricultural marketing and credit systems of the state accounting for 36% of total agricultural credit in the state, is well known. Further, the profile of CAs has also changed after the Green Revolution as now a large proportion of them are from the *Jat* (farming) caste, unlike the earlier CA profile when most of them were *baniyas* (trading caste). It is suggested that the new CAs with Jat

background are stricter with their dealings with farmers for repayment and mechanisms to ensure repayment of loans, and also politically more connected and powerful (Singh and Bhogal, 2015).

However, this fact provides no logic for the relevance of CAs in the agricultural marketing system, but reflects the failure of another system i.e. credit. Rather, there could be a case for abolition of CAs in the state's grain and fibre markets where a large proportion of the produce (in all major crops of wheat, paddy and cotton) is bought by the state agencies. The existence of CAs is undesirable for both farm produce markets as well as credit markets as interlocking practiced by CAs makes these markets non-competitive and exploitative. The abolition of the very institution of CAs is needed and states like Madhya Pradesh (MP) had taken such steps during the 1980s itself (Krishnamurthy, 2014; Singh, 2016). This should be much more feasible now as there can be more alternate agencies like Producer Companies (PCs), Primary Agricultural Co-operative Societies (PACS), warehouse receipt system, or electronic marketing platforms at APMC level which can take up the role of facilitating farmer produce handling in *mandis* or outside and obviate the need for informal sector credit as there would be prompt payment for produce or loans against produce through the warehouse receipt system.

Infact, PACS already buy from farmers at their doorsteps in many states like Bihar and MP and payments are directly made into farmers' bank accounts (Krishnamurthy, 2014). Unfortunately, the recent draft farmers' policy of the state does not deal with the reform of existing markets in the state –neither in terms of examining the model Agricultural produce and livestock markets (promotion and facilitation Act ((APLM(PF)A)), 2017 and the model Agricultural Produce and Livestock Contract Farming and Services (promotion and facilitation Act ((APLCFS (PF)A)), 2018) nor in terms of improving the regulation and governance of existing markets or their restructuring, especially perishable produce markets as they would be needed for new high value crops under diversified agricultural scenario. It fails to visualize any new market mechanisms to encourage new crops (PSFFWC, 2018; Singh, 2018) unlike

Haryana's recent crop diversification policy for specific water stressed districts/blocks where incentive and support is provided to farmers to switch away from paddy to other crops which are less water consuming, and have procurement at Minimum Support Price (MSP) by state agencies or other market support promised by the state government (Singh, 2020c).

2.1 The agricultural market reform in Punjab

Punjab is among a few states in India which had not amended the APMC Act until 2017 and had enacted a completely unnecessary separate Contract Farming Act (CFA) in 2013. The state, a pioneer in undertaking various measures to promote contract farming during the 1990s, was stuck on the APMC Act amendment due to the political economy involved in the policy reform and the role of various vested interests involved in the *mandi* system. It is yet another matter that the state has still not operationalised the Contract Farming Commission and its machinery even seven years after the enactment of the CFA though the Union government has designed the new Agricultural Produce and Livestock Contract Farming and Services Act (APLCF&SA), 2018 on the lines of its CFA, 2013 and now a central Acts on contract farming. Infact, contract farming did not need a separate legislation as many other states, including neighboring Haryana have legalised contract farming by amending the APMC Act. Therefore, it is important to understand why Punjab took the route of a separate legislation on this aspect instead of doing all the required reforms in the APMC Act (Singh, 2013).

The major reason for Punjab going for a separate Act on contract farming can be found in the political economy of the state's agribusiness sector wherein the farming and the trading interests are at loggerheads in protecting their (vested) interests. The direct purchase (when permitted with the APMC Act amendment) will reduce volumes in APMC *mandis* and, therefore, *arthiyas'* hold on farmer produce, and the private wholesale markets (again under the APMC Act amendment) will create competition for these *arthiyas/traders* operating from APMC *mandis* and the State agricultural marketing (*Mandi*) Board and its APMCs. This is the reason that

instead of amending the APMC Act, which would upset the appellation of the *arthiyas* and the *Mandi* Board itself, the separate Act route was taken for contract farming. But, the state needs to recognise the primary stakeholder of the state's agricultural marketing system and the agricultural sector and then propose solutions, and not take the existing power play as given, if long term and sustainable solutions are to be sought. The best bet for making the CAs irrelevant would be to diversify the farm sector of the state as, when wheat, paddy and cotton reduce in importance, the CAs as well as the state and its vested interest agencies would tend to wither away on their own. Further, the formal credit system would need to have better reach and more simplified procedures besides being bribe free to make a dent in the farm sector especially for small and marginal farmers who are excluded from the formal sector credit. The design of more innovative financing products for farm and allied sectors is what is needed for making institutional credit deliver.

This political economy of the state's agricultural markets is also reflected in the report of the Vidhan Sabha Committee (PVSS, 2018) to examine the farmer and farm worker suicides in the state and recommend solutions to deal with it. Instead of pointing out that commission agent system in the state's agricultural market is one of the major reasons for farmer indebtedness due to the interlocking of product, input, and credit markets and therefore, recommending the abolition of the very system itself on the lines of Madhya Pradesh, the Committee emphasizes the 'strong undoable relationship' (*nauh- maas ka rishta*) between farmers and commission agents despite pointing out many cases of cheating and interlocking of credit and produce markets. Rather, it recommends that the informal money lending activity of the commission agents be brought under legal provisions. It even goes on to suggest that if in a case of a farmer suicide, there is a First Information Report (FIR) against the commission agent, then, a Superintendent of Police (SP) level official should examine the reasons for suicide before registering the FIR. Infact, the Committee did not even think it necessary to mention the issue of direct payment to farmers by the buying agencies for the sale of their produce which has been

hanging fire for the last two decades. Even the draft farmers' policy 2018 only recommended a 20% cess on commission of CAs for creating a research and price stabilisation fund for milk and non-MSP crops which would only burden the buyers as it would be passed on to them by the CAs (PSFFWC, 2018).

3. Union level reforms and Punjab

The conflict of interest has been cited as the main reason for taking out contract farming from the purview of the model APLM Act by the Union Ministry of Agriculture and Farmer Welfare (MoAFW), ignoring the fact that there is even bigger conflict of interest in the case of provision of private wholesale markets which are still under the APLM(PF)A, 2017 (Singh, 2018a). Not only that, more recently, the Union government has enacted and notified two Acts which provide for separate channels of contract farming and direct purchase and limit the role of the APMC only to the market yard. So far as The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 is concerned, it shifts the domain from the state to the Centre. Therefore, the relevance of the Model Acts is lost. However, the union Model Acts focus mostly on facilitation and promotion of agricultural markets and new channels like contract farming rather than regulation as the titles of the two Acts suggest (Singh, 2018a). Therefore, the logical questions that ought to be asked are: Do we need more *mandis* or more deregulation? Would only more *mandis* do or do we need more functional and effective *mandis*? Even if one agrees that APMCs are inefficient and ridden with corruption and malpractices, is moving away from them the solution? Should we throw the baby out with the bathwater or should we actually reform the APMCs as they are the last resort for millions of marginal and small farmers who would never be attractive to corporate buyers, individually or perhaps even collectively, through Farmer Producer Organisations? (Singh, 2020).

The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, 2020 is nothing but a badly designed contract farming Act. The use of the term 'farming agreement' itself is unusual as it can confuse with other arrangements like sharecropping or leasing agreements'. It also

leaves out many sophisticated aspects of modern contract farming practice like contract cancellation clauses, delayed deliveries or purchase, and damages therein, and 'tournaments' in contract farming where farmers are made to compete with each other and paid as per relative performance which is banned in many countries. It is rather unfortunate that the Act links bonus or premium payment over and above the contract price with APMC *mandi* price or electronic market price which is anti-contract farming in nature. The price like many other basic aspects of contract should be left to the parties to negotiate and can't be tied to any other channel especially APMC price as the very rationale for bringing this law was to provide alternative channels to farmers and create competition for APMC markets as they were seen as not discovering the prices efficiently. Now, going back to the same *mandi* does not speak very well of the Act (Singh, 2020b).

Unlike The Farmers' Produce Trade and Commerce Act, this Act does not specify any penalties for any violations of the contract provisions which is surprising, to say the least. The Act is more about facilitation and promotion of the contract farming mechanism rather than its regulation! That the Act goes all the way to facilitate contract farming is clear from the fact that it mentions that the stock limits law (ESA ordinance) would not apply to contract farmed produce. Why should this provision of another Act be specifically mentioned in another law which has nothing to do with this law directly or indirectly? The aspects of farmer empowerment and protection mentioned in the title of the Act have been given a go by in its contents. The proof of any law is in its implementation but so far as farmer interest protection is concerned, these two Acts leave much to be desired in their design itself. (Singh, 2020b).

3.1 Punjab's APLM Amendments

The State of Punjab has amended the APMC Act recently (2017) keeping contract farming within the APLM Act, 2020 despite the MoAFW advising its exclusion and a separate legislation on it through its model Acts. The Punjab Agricultural Produce Markets (General) (Amendment) Rules, 2020 provide for special market yard, private market yard, producer market yard (*Kisan Mandi*) and

producer consumer market yard (PCMY). The most important reform is the permission to establish private wholesale market as it would create direct competition for APMCs.

So far as the setting up of private wholesale market yard, which gives for the first time a choice of a public and a private *mandi* for the farmer seller, is concerned, the Act states 'The owner of private market yard shall develop the yard in an area not less than ten acres, by providing infrastructure facilities and amenities---and shall have a clear title with possession or lease hold rights by an agreement for a period of not less than thirty years. In any notified market area where the Government and the private markets shall co-exist:Provided that the above yard can be established only for the business relating to fruits, vegetables, livestock and its products, woods, flowers and cannot be established within a radius of five kms. from the existing notified principal or sub-market yards'(p.4). This restriction applies to the other two markets i.e. PCMY and *Kisan Mandi* as well (p.5). This provision shows that Punjab has protected its arthiyas and traders (kuccha and pucca arthiyas respectively) in the existing APMC *mandis* as most of them deal in foodgrains and cotton and, that too, for FCI and CCI. By excluding these crops from new market arrangements, this vested interest has been largely left untouched by the new law.

As per the new Act, the private market operator is to ensure the payment of sale proceeds and issuing of Form-J to farmer or seller before lifting of agricultural produce, on the day of sale which is much needed. The other good aspect of the amended Act is that not only individuals but also groups, Farmer Producer Organisations and Farmer Producer Companies can also set up such markets as has happened in Maharashtra more recently. The license fee for private market year, PCMY, E-trading platform and *Kisan mandi* would be Rs. 5 lakh , 2 lakh , 5 lakh and Rs. 2 lakh respectively. Further, there is a bank guarantee of Rs. 25 lakh, 5 lakh and 10 lakh for private market year, e-trading platform and *kisan mandi* respectively with the same being 50% of above if the player is a government agency or a co-operative institution.

The direct purchase provision (another important channel permitted since 2003 by model APMC Act) is extended to the existing licensees to facilitate direct purchase from producers with permission from the Chairperson of the Board (SAMB) at any place within the notified area of the APMC. Such licensees have to pay Rs. 10,000 fee to the Board. Even pre-harvest contracts which happen in fruit corps have been brought under this provision as it says 'Provided that if any licensee entered into a contract with a producer for standing crop of fruit and vegetable in the notified market area of the committee, such transaction shall be deemed sale and purchase of agricultural produce' (p.20). An important question which arises is: when the model APLM Act, 2017 provides that the APMC would not regulate any transaction outside its market yard, how does this go with Model Act provision, the purpose of which was to curtail the powers of the APMCs. Further, now when the Union government has issued an Act on all buyers outside the APMC yard (new trade area), how does this Act comply with that by not regulating any transaction outside the market yard? Infact, the new trade area as the domain of the new central Act which is all places of transaction outside the APMC market yard/sub-yard would have serious implications for existing APMCs as there would be no levy of any market fee or cess on any purchase in new trade area by any buyer who would just need to have a Permanent Account Number (PAN) (Singh, 2020b). This would mean that it would become costlier to buy in APMC markets as the existing taxes would have to be paid to the APMC or the state agricultural marketing board. Soon, this tax differential would make all buyers and agents to shift to new trade area to lower their cost of procurement which would sound the death knell of the APMCs unless they fall in line to create a level playing field. The only hope for them for sometime is that the union and state government agencies may still keep buying through these APMC markets. Therefore, the new Act kill the APMC system by design! Most surprisingly, the Act still goes by state APMC notified produce when it defines scheduled farmer produce. Now, what is the relevance of APMC notified produce here when their domain is reduced only to the market yards? But, that would leave a part of

the larger agricultural produce market completely unregulated despite two (union and state) Acts (Singh, 2020b).

So far as direct payment to farmer seller-a long pending and serious issue in Punjab, is concerned the Punjab APLM Act (2017) rules (2020) state: 'The Kaccha artiya or the buyer, as the case may be, shall make payment to the seller through electronic transfer after the weighment is over. If payment is not made by the *Kaccha Arhtiya* or buyer, as the case may be, in the manner, as stated above, then the same shall be recovered by the market committee concerned from him as an arrears of land revenue and the first lien shall be of seller's right and it shall be made to the seller concerned'. 'Provided further that that the seller shall be at liberty to receive payment up to Rs. 10,000 in cash in a calendar month for the agricultural produce sold by him during that month. .. Delivery of agricultural produce after sale shall not be made or taken unless and until the *Kaccha Arhtiya* or, if the seller does not employ a *Kaccha Arhtiya*, the buyer has given to the seller a sale voucher in Form J mentioning the payment mode and its authentication, the counterfoil of which shall be retained by the *Kaccha Arhtiya* or the buyer, as the case may be. Provided that a licensee entered into a contract with a producer under sub-rule (1-A), shall issue sale voucher in Form-J for the contract value of the agricultural produce' (p.20-21). This last provision shows that Punjab has retained direct purchase provision within the APMC domain despite the model Act of 2017 recommending its exclusion.

Punjab has made a new and unique provision in the amended APMC Act which states 'The Board shall levy price stabilization fund (PSF) on the sale of agricultural produce, which shall be collected by the market committee or the Board, as the case may be, from producer or seller, buyer, or *kaccha arhtiyas* in all the markets notified under sections 7 to 7-F at the rates notified by the State Government from time to time. This fund shall not be utilized for the purpose other than the stabilization of prices of specified agricultural produce by the State government' (p.23). Further, the owner of private market yard, PCMY and *Kisan Mandi* shall pay as contribution to the Board at the rate of 25% of the total collection of the

user charges and shall deposit the same, into the "Marketing Development Fund (MDF)" of the Board, during first week of next month. In case of e-trading platform, contribution to the MDF is @ 25% of total market fee collected on fruits and vegetables, @5% on livestock and @60% on all other items of agricultural produce. Though one may question its levy on all market participants, but the provision of preventing its misuse is much needed given previous experience. Here too, the Union Act which creates a new trade area outside the APMC yard, bars the state governments from charging any levy or tax from direct buyers or contract farming agencies. This has serious financial implications for the states as they would now find it difficult to maintain the APMC infrastructure and that would be another blow to the APMC leading to their premature death.

Also, surprisingly, the amended Act has no mention of livestock produce throughout and mentions it only in case of MDF. It is surprising that Punjab has not found it questionable to include livestock in APMC market domain when the nature and dynamics of the two markets are entirely different. More importantly, Punjab could have thought of abolishing the *arthiya* system on the lines of what MP did in 1985 but that is a tall order for Punjab to follow given the political economy of its agricultural markets (Singh, 2020).

It remains to be seen what position Punjab takes and how long it would take to amend its APLM Act, 2020 to provide for the supremacy of Union legislation. It is also not a different matter that the new Union Acts are passed without much consultation with the states and other stakeholders despite the fact that they take away the right of the states, lack both in design and comprehensive protection of farmer interest in direct purchase as well as contract farming arrangement (Singh, 2020a) like the 2003 and the 2017 model APMC Acts and the 2018 model APLCFSA which failed to make contract farming inclusive by not providing for group contracts unlike the Thailand policy on contract farming which mandated and encouraged group contracts (Singh, 2005). In Thailand, the state which partnered with the private agribusiness contracting agencies for extension and low interest credit to contract farmers through its department of agricultural extension and the

bank for agriculture and agricultural cooperatives (BAAC) made it mandatory to have contracts with groups of farmers to protect the farmer interest and even provided training and exposure to contract farmers (Singh, 2005). Groups contracts are where farmers sign contract with a contracting firm or agency as one group. This helps them bargain better as it involves larger volumes of produce and also deal with contracting agencies more effectively as compared with individual farmers dealing with contracting agencies.

Unfortunately, the union Model APLM Act 2017 and the Punjab APLM Act 2017 (Rules 2020) still define CA as someone who would collect payment and pay to the seller (MoAFW, 2017; Singh, 2020). This is startling for an Act of 2017 to propose as it is not clear what logic there could be in not paying the seller directly for her produce. This is a very regressive step in the Act and perhaps reflects the political economy of agricultural markets in India where the CAs have acquired a political clout and the state governments are not able to work for the primary stakeholder of such markets i.e. farmers. Even the position of Punjab state *Mandi* board is highly contested between farmer interest groups and the *arthiya* interest groups represented by farmers' unions and *arthiya* association respectively. Infact, an amendment to the APMC Act in 2016 provides for three positions of Chairman, Senior Vice-Chairman and Vice-Chairman of the Board to be nominated by the state government.

The central agencies like FCI have been eager to pay directly to farmers but it is the state government which does not want this to happen! This is so because there is serious inter-locking of output and credit and output and input markets where the CAs also engage in money lending to farmers informally and illegally and want their repayment to be recovered through this mode of indirect payments (through the CAs where the cheque is also in the name of the CA) to farmers by buying agencies.

There has been a constant battle on direct payments to farmers for their produce by buying agencies between the two lobbies in the state. Whereas farmer lobby would like to have direct payments, the *arthiya* lobby

opposes it tooth and nail. This is so as direct payments hit the business of interlocking of credit, input, and output markets run by arthiyas where a parchi (slip) system prevails for lending in kind to farmers and recovery of payments at the time of sale of produce (Singh and Dhaliwal, 2011). Despite a Committee of the Punjab government recommending direct payments by procuring agencies besides lowering the number of CAs in APMC markets in 1998, there has been no movement forward on this issue (Singh and Bhogal, 2015).

4. Way forward and Conclusions

Under the Industrial Policy of the state (2017), the fruit and vegetable produce is deregulated from the APMC Act (GoP, 2017). Even the model APLM Act, 2017 did not exclude fruits and vegetables from the domain of the APMCs, unlike the proposals made during the UPA rule (Singh, 2020a). It is sad that the policy has blindly copied the provision of delisting of fruit and vegetable produce from the new model APMC Act. Rather, it should have used it as an incentive to those buyers who go to farmer to procure directly or through contract farming arrangement

Presently, the state has market infrastructure only in the form of APMC market yards, warehouses (used for food grains) and cold storages (used mostly for table/processing potato and seed potato), many of the latter not being warehouse receipt eligible. Punjab needs to focus on developing perishable produce markets for demand driven agribusiness development of its agricultural sector.

More importantly, Punjab needs to focus on aggregating its farmers for dealing with modern markets by making use of the Producer Companies Act which is more business like legal form of organization and is being supported in a big way by the Union government (Singh and Singh, 2014). The new farm produce trade and commerce Act, 2020 provides for e-markets being established by Farmer Producer Organisations (FPOs) though there are issues with the way the FPO is defined (Singh, 2020b). Punjab has missed the bus already on this once. A study of 49 clusters across Indian states including two in Punjab found that one cluster in Punjab

(Fazilka) did not have any FPO at all and the other (Ludhiana) had 9 out of which 7 were defunct/non-existent (Arya CWS and Tata Trusts, 2018). Earlier, a study had found all the six PCs promoted by a private joint venture project in perishables non-functional in Malerkotla area (Singh and Singh, 2014). Given this, Punjab should not miss the bus again. It is important to realise that individual farmer-based model of agro development would not work as the nature of market has changed with new economic policy globally and in India.

Further, Punjab should plan and execute planned production and marketing strategy to achieve crop and enterprise diversification and agro-industrial development for domestic and export markets as has been achieved by countries like Thailand and Taiwan. For this, marketing development and marketing infrastructure and institutions are extremely crucial. Then only can primary producers can hope to get a part of the surplus generated in the food and fibre value chains.

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