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In Punjab’s Grain Mandis, the Afterlife of the Farm Protests is Playing Out

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Rice procurement by the state in Punjab’s regulated markets has plummeted this year. In the mundane details of grain purchases lie hidden and fraught centre-state relations and reforms by stealth.

Three years after the withdrawal of the controversial farm laws and following a historic farmers’ protest, Punjab’s farms are making news again. This time, it is because there is an unprecedented crisis in the procurement of paddy from the mandis, the regulated wholesale markets of the state.

Typically, paddy varieties procured by the government start arriving in the mandis by late September and procurement is largely completed by the first week of November. However, this year, only 65% of the targeted procurement had been completed by 9 November. A few weeks earlier in October, only around 20% of the total paddy that had arrived in the state’s mandis was procured as compared with the total procured last year.

Newspapers have reported that some farmers have had to sell grain to private traders at rates substantially below the Minimum Support Price, in what could be described as distress sales. On the other hand, those who have sold it to state agencies have seen delays in the grain being sent from the mandi to the rice mill, resulting in the produce lying in the open in the mandi and its quality deteriorating before delivery. In such cases, *arhtia*s, the brokers, have asked farmers to compensate for the loss in the paddy’s quality by returning part of the payment to the arhtias, or by providing more grains. Farmers, who are typically dependent on the arhtias for informal credit, are in no position to refuse such demands from the arhtias.

While holding both the state and central governments responsible, farmer union leaders see the delay in procurement as the centre taking ‘revenge’ against the unions for their role in forcing the repeal of the farm laws. The weaking of the mandi system through such administrative delays, they fear, would achieve the same effects as the farm laws intended: a corporatised agriculture with few protections for farmers.

A marketplace of federal tensions

The crisis in the mandis is a reflection of a broader moment of fragility in centre-state relations. State procurement of paddy (and wheat) has been at the centre of the fraught federal question in Punjab, even as it has been overshadowed by more live wire issues like the handling of the Khalistani movement or disputes over water sharing through the Satluj Yamuna canal.

Strains in centre-state relations and the stakes involved inevitably transform the mandi into a theatre of politics pitting the centre against the state’s interests and reinforcing the historical tensions between Punjab and ‘Dilli’. The balance has historically and in the present determined the fate of farmers. When the Congress-led UPA government was in power at the centre, Punjab’s then-ruling Shiromani Akali Dal and Bharatiya Janata Party (BJP) coalition would blame glitches in the procurement system on the Congress government’s *sautela* (step-motherly) treatment of Punjab and its farmers. After 2014, when Prime Minister Narendra Modi and the BJP took over power in New Delhi, Punjab’s Congress-affiliated arhtias and farmers claimed a similar attitude from the centre

Cut to the present, the Punjab Congress has claimed mismanagement of procurement by the Chief Minister Bhagwant Mann of the Aam Admi Party and linked it to his being ‘co-opted’ by the centre. On the AAP's part, Punjab's finance minister has repeated the 'sautela' trope for the BJP-led central government. Parties change, but the theme of the centre-state divide persists in contestation over the mandi and the marketing of paddy.

These events are taking place in the context of a deep and persistent agrarian crisis in Punjab. Despite largely robust government procurement at the Minimum Support Price (MSP) for paddy and wheat, the main *kharif* and *rabi* crops of the state, incomes from agriculture have been under stress even for the largest farmers. Surviving through agriculture, let alone profiting, requires constant juggling of rising costs, declining returns and formal and informal debt. But there are more layers to the crisis. Decades of continuous cultivation of the water-intensive paddy crop in what is a semi-arid region has resulted in severe extraction of groundwater and decline in soil quality which seriously undermine the future of farming in the state. Equally, smoke from stubble burning after the paddy harvest, although usually presented as a problem for cities, also pose a health risk for the local rural populations.

The scholar Pritam Singh (2009) has argued that Punjab was pushed towards what he calls an "agriculture-oriented path of development" by the nature of India's federalism. With food self-sufficiency a national priority in the early decades after Independence, Punjab was set up as the leading grain producer for the country. The first decade or so of the Green Revolution (late 1960s to the early 1980s), made Punjab the model agricultural state in the country, even as it marginalised small farmers and displaced labour from agricultural work. With low public investment by the centre in Punjab's industrial sector – as compared with other states – there were few drivers that would allow the state to transition towards industry. As a consequence, farmers have been locked into a pattern of agricultural production and exchange for over fifty years. The protests against the now-repealed farm laws were reflective of this dependence.

The state procurement of paddy and wheat in the mandis is the crucial node that keeps this system in place. In line with the national imperative of achieving food security, the procured grain is funnelled into the Public Distribution System (PDS) to provide subsidised food through ration shops. Much has changed since this system was established in the 1960s. Over the last three decades, the central government in India, under different political coalitions, has been committed to the neoliberal dogma of reduced public spending. This has meant declining subsidies for agricultural inputs like fertilisers and public investment in agriculture. The PDS, which was universally accessible, was converted to a targeted system in 1997 to focus only on those identified as the poor falling 'Below the Poverty Line'.

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However, even with changes in specific procedures of procurement (Basu 2024), farmers have been able to sell their wheat and paddy at MSP in the mandis. The continuation of this system owes partly to the fact that despite increased production in other states, Punjab remains a major contributor to the central buffer stocks of wheat and paddy and such stocks are critical to stabilise prices in case of price volatility or supply shocks in a country where food insecurity and undernourishment remain a persistent problem. At the same time, within Punjab, there is a political compulsion for the system to be well-oiled, as Jat farmers, who constitute a major electoral base, are deeply dependent on the system. The procurement system is also important for the already ailing economic health of the state, where little outside agriculture functions well. Even as over the years, public extension or investment in infrastructure has declined, and subsidies have decreased, the procurement system has been maintained. Successive state governments, regardless of which party is in power, prioritised the needs of the dominant Jat farmers who constitute a major electoral base. Even with changes in the system over the years, farmers' produce would ultimately get lifted.

The devil in the details

The balance of centre-state relations in the functioning of the mandi is delicate though, resting on mundane and bureaucratic levers that keep the system together. These have fallen apart in this paddy procurement season and exposed the economic and political tensions that have long been simmering beneath the surface.

The way paddy procurement works in Punjab is that the farmers bring paddy to their arhtia's shop in the mandi. State agencies like Punjab State Civil Supplies Corporation Limited, Punjab Agro Industries Corporation Limited and Punjab State Warehousing Corporation procure the grain on behalf of the Food Corporation of India (FCI), an agency of the central government. This grain is then directed to the assigned rice mills, who clean and dehusk it. Once processed into rice, the grain is stored by the mills until taken by the FCI. The processed grain so delivered to the FCI by the mills needs to meet the Fair and Average Quality (FAQ) specified by the FCI, such as meeting a specific moisture level and percentage of broken, discoloured and damaged grains.

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This year's crisis is due to the FCI not having lifted enough of the prior year's stocks from the mills. Since state agencies have no storage capacity of their own, mills are the de facto storage space. Reports suggest that the Centre delayed finalizing the procedures for milling and delivery of last year's paddy stock, which in turn delayed milling. This was made worse by FCI's lack of preparedness to accept timely deliveries. With their storage backed up with older stocks, the mill owners do not have space for the new paddy arriving in the mandis and have not been ready to accept more stocks from the mandis.

The problems are compounded by the controversy around a new paddy variety called PR 126. Developed by the Punjab Agriculture University in 2016, this short-duration and less water-intensive variety was promoted by the Punjab government as a way to save water and electricity. While farmers were encouraged to adopt it, rice millers have argued that this variety yields less rice and have been reluctant to process it. Millers are contractually bound to provide 67% rice from the paddy they process, failing which they could be subject to allegations of corruption and be forced to make up the difference by milling paddy purchased from the open market at their own expenses. The PR 126 variety, millers argue, yields only around 62% at best. At the same time, reports have emerged that non-certified hybrid varieties were sold to farmers as PR 126, which resulting in the problems with the milling.

Ultimately, the state agencies are purchase *on behalf of* the FCI. The FCI – and by extension, the central government – is crucial to the steady humming of this procurement machinery. If it stalls the lifting of rice from the rice mills, the system seizes, and there is little that state agencies or mills or arhtias can do. Centre and state disputes, presenting themselves as bureaucratic glitches, can easily disrupt the mandi system, as they have in the past.

A decade ago, in 2014, the first year I was doing fieldwork in Punjab's mandis, a few weeks into the paddy procurement season, FCI stopped procurement payments to the state agencies. It claimed that the state government was misusing the money received from the centre for this. Under the existing arrangements, the state agencies receive handling charges from the FCI, which they then use to pay the arhtias. Since the Punjab state's coffers are famously empty, a crisis ensued. At that time, the farmers were not paid directly – rather, arhtias received the payment after which they paid farmers their dues and the labour working in their shops.

> The fear is that by undermining the mandi system year on year, farmers will lose trust in it... The desperation of farmers would allow corporate agribusinesses to expand their footprint in production, exchange and distribution of agricultural produce.

Months later, in the wheat procurement season of 2015, another crisis erupted when untimely rains affected the quality of the grains. The central government did not permit the state agencies in Punjab to accept lower quality grains, even though it had done so in some other states. The state agencies, on their part, refused to make purchases as the officials who approved purchase below the accepted quality standards would be held personally liable for any ensuing losses.

In both instances, the matter was resolved between the centre and the state, but not without political mobilisation by arhtias and farmers through their respective unions. Crucially, the '*dhakkeshaahi*' (injustice) of the centre was a running theme in these mobilisations, as were references to the Shanta Kumar Committee's recommendations of breaking up the various roles of the FCI (procurement, storage, transportation, distribution) and giving a greater role to the private sector.

I bring these older episodes to light to demonstrate that disputes over procurement are a recurring issue in Punjab's mandis and are symptomatic of the much deeper issue of how centre-state relations tie into India's development trajectory.

Things have only worsened dissonance in the policy priorities of the centre and the state in the decades since liberalisation. The farm laws of 2020 represented a strong push from the central government to advance a neoliberal agenda in Indian agriculture. Amongst other things, the laws, if sustained, would have allowed setting up of parallel market yards that would have undermined the mandis and removed any limits to stocking by any actor in the supply chain. This would vastly strengthen corporate agribusinesses at the expense of farmers.

A persistent shadow

While ultimately repealed, the shadow of the laws looms large in mobilisations by farmer unions across Punjab against the delays in paddy procurement. Kirti Kisan Union's Rajinder Singh Deep Singh Wala claimed in a speech (accessed through Facebook) that these delays were a way to achieve corporatisation of agriculture as envisioned by the farm laws. Balbir Singh Rajewal of Bharatiya Kisan Union (Rajewal) too has said this amount to bringing in the farm laws "through the back door."

The fear is that by undermining the mandi system year on year, farmers will lose trust in it. A dysfunctional mandi would mean that farmers would have to travel to the mandi and struggle to have their produce sold, often staying overnight in the mandi for several days, guarding their crop – all of which involves expenses – only to then have to sell at a lower-than-expected rate. This in turn might lead them to sell to private traders at distress rates, further reducing their income from agriculture and potentially increasing their indebtedness. This desperation of farmers would allow corporate agribusinesses to expand their footprint in production, exchange and distribution of agricultural produce.

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This is speculation by the farmers at the moment, but such a scenario is not improbable, given the deliberate undermining, or at least wilful neglect, of public sector entities or firms to push privatisation has been seen in other sectors like higher education or telecom. The fear is that this slow burn would allow the centre to achieve what the farm laws that were bulldozed through the Parliament in 2020 could not.

Farmer unions have been sharp to combine the demand for speedy and smooth procurement with demands for better supplies of fertilisers for the wheat sowing season which is around the corner and for withdrawing cases of stubble burning against farmers. They are reminding farmers that the centre's declining support for them is linked to the undermining of the PDS which affects the rural and urban poor – and aligns with the WTO's agenda to which India is party.

In the end, the price will be paid by the state's ordinary farmers. Paddy is a cash crop in the state, income from which allows farmers to pay off debts and dues for labour, pay an instalment for any leased-in land, purchase inputs for the next crop's sowing and so on. Despite its limitations and contradictions, government procurement at MSP in the mandi keeps the state and its people afloat. How such a severe crisis in its functioning will unfold politically both in terms of electoral politics and for farmers' mobilisations is a space to watch.

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