Elusive Empowerment: Price Information and Disintermediation in Soybean Markets in Malwa, India

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ABSTRACT

Price information provision and disintermediation have often been considered means to empower farmers, since lack of information and multiple intermediaries are seen as major obstacles preventing farmers from obtaining a higher price for their produce. Using the example of soybean in Malwa, central India, which is a cash crop that links farmers to global consumers, this article argues that the very expectation of disintermediation in the soybean supply chain is misleading. India’s position in these global networks puts farmers and intermediaries in Malwa in the position of price receivers: they are unable to influence the global price of soybean or manipulate its local price in any way. In this context, providing price information has negligible impact on the final price obtained by farmers. The potential for empowerment has to be understood more broadly, by mapping out the ways in which power is exercised by various actors in the marketplace — one of which is the determination of the quality of a farmer’s crop. This article maps such possibilities by examining how norms regarding quality in soybean are created and enforced, and how they are influenced by broader logics that go beyond the soybean marketplace itself.

INFORMATION AND INTERMEDIARIES

Historically, the analysis of farmers’ experiences in agrarian markets has focused on the role of information and intermediaries (cf. Hardiman, 1996). The twin ideas of transparency in the setting of prices for farm produce and market efficiency through reining in the power of intermediaries have long captured the imagination of those intervening in these markets on behalf of farmers. In India, government-owned market yards or mandis were created in

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the 1970s with precisely this purpose in mind: to do away with the tyranny of the oppressive baniya, the intermediary caste. The mandi converted closed transactions by private traders into open auction purchases in a licensed system with government oversight.

In the post-liberalization atmosphere of the 1990s, when it became common to question the role of state-led programmes in agriculture, several government committees were instituted to study agricultural markets and give recommendations to improve their efficiency. Mandi traders were accused of colluding to set the auction prices of farmers’ produce with the informal blessings of corrupt government functionaries. In 2000, the Guru Committee suggested the promotion of privately organized market yards in competition with existing government-owned mandis (Acharya, 2005), to give farmers a choice.

ITC-IBD, the agribusiness division of the India Tobacco Company (ITC) and India’s largest agribusiness, was one of the earliest to set up private market yards in Madhya Pradesh. In 2000, it started a project known as eChoupal to provide price information to farmers and to buy their produce, bypassing mandi intermediaries. The company explained its introduction of eChoupal as a post-liberalization, post-WTO induced response to inefficient agrarian markets controlled by corrupt intermediaries and an over-regulated state-licensing regime. One of the main export products of the company was soybean meal and the eChoupal was an attempt to regain competitiveness in the export market of soybean. In Madhya Pradesh, these eChoupals were known as soyachoupals because ITC-IBD first established them to buy soybean from farmers.

The problem with intermediaries, according to the CEO of ITC-IBD, S. Sivakumar, was that they were taking away a greater share of profits than

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1. This was done through the Agricultural Produce Marketing Committee (APMC) Act of 1972.
2. These included the Expert Group on Agricultural Marketing (Acharya Committee) established by the Union Ministry of Rural Development in 1998; the Expert Committee on Strengthening and Developing Agricultural Marketing System in the Country (Shankarlal Guru Committee) instituted by the Ministry of Agriculture in 2000; and the Inter-Ministerial Task Force (Jain Committee) in July 2001 (see Acharya, 2005).
3. ITC-IBD was started in 1990 as the agribusiness division and a subsidiary of ITC, which had extensive experience in the tobacco sector, working with farmers and managing the entire supply chain including production, processing, marketing and retail of tobacco products.
4. This began as a pilot project in 2000 under the APMC Act of 1972, which was amended by the Madhya Pradesh government in 2003. Under the amended Act, contract farming, private market yards and direct purchase from farmers were allowed as competing channels to the mandi. The eChoupals were created as a response to greater competition from multinational agribusinesses which were poised to enter the Indian market. ITC-IBD started eChoupals in shrimp, coffee, soybean and wheat in an effort to boost procurement from farmers and remove intermediaries from the supply chain.
5. Interview with S. Sivakumar, CEO ITC-IBD, Hyderabad, 20 December 2002.
6. This text refers to the soyachoupals only, although I use the terms choupal, soyachoupal and eChoupal interchangeably.
justified by the value they added through transportation and other logistical support (Sivakumar, 2002). They were necessary in the past to compensate for poor infrastructure and low connectivity and communications. With fragmented farms and small lot sizes of farm produce (less than 100 quintals or one truck load for a majority of farmers), intermediaries played an important role in amalgamating and transporting a reasonable lot size to factories and ensuring consistent quality within that lot. With the growth of rural infrastructure, ITC-IBD felt that it could use information technology to connect with farmers directly and bypass several intermediaries in the process. In a speech to shareholders in 2002, the chairman of ITC said, ‘This model [eChoupal] . . . is in conformity with the reforms recommended by the Shankarlal Guru Committee . . . [for] inducing efficiency in the mandi (market yard) channel through competition’ (Deveshwar, 2002). ITC-IBD also expected to benefit through reduced procurement costs and by increasing its market share in the soybean processing industry.

ITC-IBD created internet centres in villages in Malwa. The idea was to provide price information to farmers using information technology. ITC-IBD selected farmers from large villages and called them sanchalaks (operators or managers). The company provided them with a computer to access price information and expected them to encourage other farmers to sell to ITC-IBD rather than to the mandi. Sanchalaks received a commission for every ton of produce sold by a farmer through their recommendation. Nearly 1,700 villages in Madhya Pradesh and 6,000 villages across India had such eChoupals as of 2007 (Fairless, 2007). Traditionally, the choupal is a public meeting place in a village, usually underneath a large, shady banyan tree. The name ‘eChoupal’ reflected an attempt to make the centre an alternative place for meeting and sharing information using modern information and communication technologies (ICTs). By 2005, farmers from these 1,700 villages were able to sell their soybean to ITC-IBD at forty-four locations in Madhya Pradesh. These locations, which included four processing plants that the company ran on lease and forty rented warehouses, competed directly with the sixty major (A- and B-class) mandis buying soybean in the state.

7. Consistent quality was required to make it easier to estimate the price for the entire lot of soybean. If the bags varied in quality, the price for each bag would be different, making computation and paperwork more complicated.
8. ITC-IBD installed computers and internet access through a satellite dish with battery backup in every eChoupal, selecting a room with a concrete roof and strong walls in the house of the sanchalak. Most eChoupals faced long power cuts and electricity was available only for a few hours a day. Along with the computer and a satellite dish (VSAT) the company provided two uninterrupted power supply units (UPS) with two solar panels and battery backup so that the computer and VSAT could be utilized even when there was no electricity. Peripherals such as a printer, mouse, keyboard and monitor were also installed.
ITC-IBD recognized that they could not do away with intermediaries entirely. Human intermediaries were still needed to fill infrastructural gaps related to transportation, especially to convince farmers in villages far away from market yards to transport their soybean to ITC-IBD’s warehouse. Hence, the model called for the selection of an alternative set of intermediaries known as sanyojaks to enable the transportation of farmers’ produce to ITC-IBD’s warehouses in various parts of Madhya Pradesh.

The company also started a rural retail network of malls known as Choupal Sagar to sell agricultural inputs and consumer goods to farmers. In mid-2005, the first of these malls was built in Sehore district and combined buying soybean and selling goods to farmers. Farmers now had to bring their crop to the warehouse behind the mall where an ITC employee finalized the rate for their soybean. The crop was weighed on an electronic weighbridge and the payment was made in a couple of hours inside the mall premises, after deducting any purchases farmers had made during their visit.

Around 2002, when the Madhya Pradesh government allowed private marketplaces to be set up, many competitors of ITC-IBD such as Ruchi Soya, the oldest and largest soybean processor in India, and other smaller processing companies, also set up hubs in leased warehouses in Madhya Pradesh to attract farmers. Dropping the ‘e’, the word choupal soon became synonymous with a private hub started in competition against the mandi.

Empowerment

The reforms in agricultural marketing and the importance of the role of information technology can be traced back to a shift in the last two decades towards neoliberal models of development whose stated primary purpose has been to make markets efficient, although they have had other effects. David Harvey (2005) argued that the shift to neoliberalism was predicated upon the use of information technology to enable the dissemination of information, efficient transactions in markets and, consequently, greater accumulation. The World Bank was also of the view that enabling the ‘flow of information’ through ICTs was ‘essential for effective markets’ (Dahlman et al., 1999: 2).

10. In Dhar district, where much of the fieldwork for this article was conducted, the Choupal Sagar only became operational in October 2007.
11. ‘eChoupal’ refers to the private market yard or hub at the district level where soybean was purchased, as well as to the village internet centres where information was provided by ITC-IBD through its sanchalaks. ‘Choupal Sagar’ refers to rural malls that were built next to the hubs, which retailed products made by ITC-IBD’s parent firm, ITC Ltd. There were a handful of such malls across Madhya Pradesh in 2007.
12. Shifts towards neoliberal models of development have had a devastating effect on poor people in many parts of the world. Chile and Indonesia are just two examples; during the 1990s, real incomes fell and poverty increased (Harvey, 2005; Paley, 2001).
The eChoupal was hailed as a successful project that empowered farmers through the provision of information (on prices) and disintermediation (by removing mandi traders). By 2004 it had become popular among development agencies in India and abroad, winning several ICT-for-development awards in the corporate social responsibility category. This success was explained by situating it within the broader context of economic research, which claimed that price information was critically important to the marketing of agricultural produce and that disintermediation brought direct benefits to farmers in the form of higher prices (Banerjee, 2005; Goyal, 2010; Jensen, 2007; Panigrahy, 2006).

The idea that information can empower is magnetic and powerful. Yet, historical research on agrarian markets has shown that price information is not a sufficient condition to help farmers realize better prices for their produce. Interlinked market transactions prevent farmers from participating in markets with higher prices (cf. Abraham, 2007; Gangopadhyay and Sengupta, 1986; Harriss-White, 1999). Even if the constraints of transport or credit are overcome, farmers might not find a buyer willing to purchase their crop at a higher price if it is adjudged to be of lesser quality. Embedded in the ideas of information provision and disintermediation are technologically deterministic notions of power that do not consider the broader context within which market exchange takes place. In different local contexts, the role of distance and geography, historical relationships between intermediary groups and farmers, credit and cropping patterns, to name a few, all constitute sources of power and (potential) means of disempowerment (Harriss-White, 2005).

In this article, the example of soybean markets in Madhya Pradesh is used to show how neither information provision nor disintermediation offers a means for the empowerment of Malwa farmers. The very expectation of disintermediation in soybean markets in Malwa is misleading because of its nature as a cash crop, which connects Malwa farmers to consumers in international markets. Instead, global networks structure the soybean market such that neither farmers nor intermediaries in Malwa have any power to influence the global price of the crop. The position of India in these networks and the structure of the Indian soybean processing industry also prevents price manipulation by local intermediaries. Consequently, simply providing information on prices does not help farmers obtain a higher final price for their crop.

Thus, possibilities of empowerment have to be understood within the broader contours of disempowerment that frame agrarian markets. Power

13. Positive impacts on welfare through the introduction of ICTs — as defined economically through a higher producer surplus — do not necessarily imply that farmers or fishermen are direct beneficiaries. In a Kerala study on fishermen and in millet markets in Nigeria, the producer surplus benefit accrued to agents and traders and not to fishermen or farmers directly. Interlinked markets, distribution of capital assets among market actors and the nature of the commodity were important reasons for this (Abraham, 2007; Aker, 2008).
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is not an attribute that belongs to someone, but rather, it is established and maintained through certain norms and relationships. Barbara Harriss-White’s (1996, 1999, 2007) extensive work on agrarian markets in rural India emphasizes the role of kinship, gender, religion and caste as framing social relationships, and thus regulating market access and capital flows. In contrast, I emphasize the role of norms in structuring power in agrarian markets. Therefore, to understand spaces of empowerment, there is a need to investigate the nature of these norms and how they are created.

This article examines the quality norms in soybean markets in Malwa which shape power relationships between intermediaries and farmers. The idea of quality has been studied specifically in the context of food standards, and was first explored as a way of ordering power in agrarian markets by Lawrence Busch (2000; cf. Busch, 2011). He argued that standards are a means to establish certain kinds of norms and values, not only about material things, but also about people’s behaviour and notions of good and bad. I draw on Busch’s idea of standards as mediating power relationships. Most literature on quality has looked at the ways in which standardization of quality for exports and international trade affects outcomes for producers, especially in coffee or horticulture markets (Bacon, 2005; Berdegué et al., 2005; Giovannucci and Ponte, 2005; Ponte and Gibbon, 2005; Ruben and Fort, 2012).

In contrast, I explore factors related to quality determination which affect the power balance within the relationship between soybean farmers and the intermediaries with whom they interact directly. I investigate how norms about quality are created, who has the power to decide whether a farmer’s crop falls within an acceptable range of quality, and how the exact price is determined. I show that it is the possibility of negotiations over quality that shapes the relationship between farmers and intermediaries, and creates opportunities for empowerment. This possibility is both created and curtailed through the establishment of norms about quality, the use of technology and broader logic of the soybean marketplace.

The article draws on ethnographic research I have conducted in Malwa over the last decade. I started out researching the eChoupals in 2002–2003 where, for three weeks, I travelled through five Malwa districts, meeting farmers and sanchalaks and conducting detailed interviews in sixteen villages (Kumar, 2004). In the summer of 2005, I met sanchalaks and farmers in twenty-two villages in Sehore district, with longer stays in two

14. These consisted of individual interviews with sixteen sanchalaks, discussions with small groups of farmers in five villages, and individual interviews with ten to twelve villagers in one village.

15. This research was conducted with the financial support of a travel grant from the Massachusetts Institute of Technology and ITC-IBD. The company put me up in their guesthouse in Bhopal, allowed me to travel by the jeep used for marketing and training purposes for the eChoupals, and deputed a person to travel with me when I went to far-off villages.
villages. I also met the transportation agent of ITC-IBD and interviewed government-licensed traders in two mandis in Sehore district.\textsuperscript{16} Starting in 2006, I met scientists and processing company officials of competitors to ITC-IBD (like Ruchi Soya, Krishna Oil, and those in SOPA, the Soybean Processors Association) who introduced me to their networks of farmers and traders. I interviewed agricultural scientists, soybean processors, academics studying agrarian change in Malwa, traders and select farmers from five districts in Malwa during the initial part of my study. Subsequently, I spent a year in a village I call Ranipura, located in Dhar district, during the rainy season (\textit{kharif}) when soybean was grown and the winter season (\textit{rabi}) when wheat and chick peas were grown. I studied the marketing and supply chain of soybean through in-depth interviews with traders in Dhar mandi and with officials of several processing companies. I also accompanied the farmers from Ranipura who travelled to various marketing institutions in Dhar to sell their crop (Kumar, 2009). In 2003, the ITC-IBD choupal was started in a warehouse about 2 km away from the Dhar mandi. The same year Ruchi Soya and Bajrang Soya started their own choupals in Dhar district. In September 2007, ITC-IBD opened a Choupal Sagar in Dhar, about 4 km outside the city towards the town of Lebad. The data for this article include information I have collected over several visits to Dhar district from 2006 onwards, most recently in February 2011.

GLOBAL STRUCTURES OF DISEMPOWERMENT

Soybean was introduced in Malwa in the 1970s. In India it is a cash crop with no direct use to farmers. It must be processed before it is of any use, even for feeding their cattle.\textsuperscript{17} It is processed into deoiled cake (DOC), which is primarily exported, and oil for domestic consumption.\textsuperscript{18} Processing factories crush the beans, extract the oil and sell the deoiled cake as feed. Soybean farmers require intermediaries to connect them to processing companies and to consumers of their produce. Without them, farmers will be stuck with a product they neither consume nor sell locally. Thus, intermediaries for transporting and processing soybean are integral to the marketing system. The very act of choosing to grow soybean means Indian farmers are inserting themselves into global networks of commodity flows and becoming part of a global chain linking them to soybean producers in the United States and

\textsuperscript{16} This research was funded by Microsoft Research and I travelled to villages using a car available with ITC-IBD in Sehore district.

\textsuperscript{17} Small quantities of soybean are processed into food items but rural families do not eat soybean products such as tofu, soya milk or nuggets. However, many of them use soybean oil for cooking since it is cheaper than other oils, albeit with a slightly altered taste.

\textsuperscript{18} In the last decade, the domestic poultry industry has become a major consumer of DOC. The estimate for 2010–11 showed 44 per cent of DOC being consumed domestically and only 56 per cent being exported (Jain, 2010).
South America, to processors of soybean around the world, and to consumers of beef and poultry in the countries of the Middle East, Southeast Asia and Japan.

Global Networks of Soybean

The price of soybean in India is driven by the Chicago Board of Trade and the Kuala Lumpur Commodities Exchange (more recently by the Dalian exchange in China). All soybean-related entities in India, whether processing companies, traders or exporters, are price-receivers with no ability to influence its price. Two important facts underlie this flow of power: India is a tiny producer of soybean and a huge importer of edible oil.

India’s total soybean production has never been more than 5 per cent of global production. Hence, domestic production shortfalls or increases do not have a significant impact on the global price of soybean. During the 1970s, Chicago Board of Trade (CBOT) prices, which reflected international production trends, also provided the prices of DOC. CBOT DOC prices were the baseline against which local prices were calculated by managers of processing plants. Factors such as existing inventory and unfulfilled orders, port delays, possible changes in import–export duties, etc. influenced the sale price of DOC for processing companies and exporters, and hence impacted the procurement price for soybean. Since the Indian harvest in October came right after the US harvest in September, international prices tended to be lower during the Indian harvest and remained higher from January until August.

In the 1980s, however, Brazil and Argentina became large producers and exporters of soybean and in the 1990s, the South American harvest started rivalling that of the US. This meant that there was no global lean season any longer. The South American harvest in March created a second cycle in the year. As of 2010, the US produced 35 per cent, Brazil 27 per cent, and Argentina 19 per cent of the world’s soybean.19

Soybean was introduced as a crop in Malwa just around the time the mandi system was established by the government in the early 1970s. In the 1980s, a system evolved whereby processing companies contracted with traders in the mandi to buy soybean on their behalf.20 These traders were

20. In the early 1970s, only three factories in Malwa — General Foods (Ruchi Soya), Vippy Solvex and Malwa Vanaspati — were buying soybean. In the 1980s, solvent extraction plants (using hexane to extract the oil and process the leftover deoiled cake) meant for groundnut shifted to processing soybean. In the 1990s, five soybean processing plants were established in Dhar district, in the areas of Ghatabillod and Pithampur. By 2006, there were several hundred smaller soybean processors in MP, Maharashtra and Gujarat, while the large processing companies were Ruchi Soya, ITC-IBD, Malwa Vanaspati, Prestige Industries
called commission agents (CAGs). They were responsible for transporting the soybean to the company’s warehouse or factory, and would receive a fixed commission in return. Plant managers provided CAGs with the daily price for the delivery of one ton of soybean to the factory premises at the level of fair average quality (FAQ). Traders bid accordingly at the mandi auction. They would invest their own money and pay farmers the same day and the company would reimburse all their costs within seven to ten days, along with a 1 per cent commission.

In the mid-1990s two new influences upon the price of soybean emerged. The first was India’s position as a net importer of edible oil (it imports 40–50 per cent of its requirements), especially of large quantities of crude palm oil from Malaysia and Indonesia. Despite a 300 per cent import duty initially, palm oil became a cheap substitute for other edible oils, especially in the manufacture of vanaspati (hydrogenated oil), a very popular substitute for more expensive ghee (clarified butter). It exerted a major influence on the domestic price of edible oil. As the import duty on palm oil changed, prices of domestic edible oil would react. Any changes in the domestic price of oil would affect the price of soybean, since soybean oil was entirely sold in the domestic market.

Second, the government allowed futures trade in oilseeds and the SOPA\textsuperscript{23} Board of Trade (SBOT) was established in 1999 as a soybean oil futures exchange in Indore. Soya oil futures on SBOT took into account fluctuations in the price of palm oil, which was traded on the Kuala Lumpur Commodity Exchange (KLCE). SBOT prices started affecting intra-day mandi prices of soybean, which in the past had been known to remain mostly steady throughout the day.

In 2003, the start of soybean and soymeal futures in national exchanges like the NCDEX created new dynamics in the price discovery of soybean. Computer terminals linked to the Internet enabled real-time information aggregation and dissemination on commodity prices, trades and volumes. Intra-day variations in the futures price became a norm and it would not be uncommon while walking through a mandi auction to see the price suddenly fall or rise because of some event in the futures market, even after a few trolleys of soybean had already been auctioned.\textsuperscript{24}

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\textsuperscript{21}India imported 2–5 per cent of its edible oils from 1961 to 1975 and 36–47 per cent from 1976 to 1987. With the tightening of import restrictions this came down to 4 per cent in 1993. After liberalization in 1994, the figure rose steadily to over 50 per cent in 1999 and 2000. See Sekhar (2004: 4733) and Shenoi (2003). From 2000 to 2009 it ranged from 40 to 50 per cent (see Reddy, 2009).

\textsuperscript{22}Interview with Ravindra Mall, Manager, National Board of Trade, Indore, 23 April 2007.

\textsuperscript{23}Soybean Processors Association of India (SOPA) Board of Trade was renamed National Board of Trade (NBOT) in 2001–2002.

\textsuperscript{24}ITC-IBD, Ruchi Soya and other large processors were able to legitimately hold large open positions on these exchanges using the physical stock, which they had purchased through...
Relevance of Price Information

In June 2008, the *New York Times* published an article which began as follows: ‘Whether it’s for an Armani-suited Wall Street trader or a farmer in rural India, the right information at the right time is the baseline for success’ (Arango, 2008). The article was describing a project to provide market price information to farmers in rural India using mobile phones via a text-messaging service.

The article suggested that inefficiencies in agrarian markets arose because farmers were unable to compare market prices in different markets. ‘The farmer would decide which market to travel to, then would just sell to that market. So there was no competition between markets’. It went on to say:

> Reuters has collected anecdotal evidence from farmers about how the service has influenced their decisions about crop sales. One farmer from Maharashtra, according to Reuters, held back the sale of 30 quintals of soybeans for 15 days after noticing that prices had been rising for several days. He was able to get 400 extra rupees per quintal. (ibid.)

The project was hailed as an example of how information can empower farmers in agrarian markets.

When I first read this, I found it amazing that a soybean farmer in India could obtain such a high price differential. Comparing prices quoted in interior mountainous villages with prices quoted in a mandi on the Malwa plateau, the spread across soybean prices obtained by different farmers in a season was not more than Rs 200, maybe Rs 300 at the most. On closer examination of the article, I discovered that the example of the farmer selling soybean pertained to a transaction at the end of 2007. I went back to look at historical price data to see what could explain this rise in prices.

In 2006, soybean prices ranged from Rs 1,200 to Rs 1,400 per quintal all through the harvest period (Oct–Dec 2006) and rose to Rs 1,500–1,600 throughout the post-harvest period (Jan–Sep 2007). At harvest in October 2007, instead of falling back down to the regular range (Rs 1,200–1,400), prices starting rising and touched nearly Rs 2,000 per quintal in December. In 2007, technologies for making biodiesel from corn had suddenly become economically viable with the huge rise in crude oil prices. With the rush to build biodiesel plants, corn became a sought-after commodity in 2007 with its price increasing several fold. Farmers in the US, the largest producer of corn and soybean in the world, shifted acreage to corn and away from soybean. This led to a shortage in the total production of soybean in the world (Chandrasekhar, 2007; Dale, 2007; Wynn and Boselli, 2007). The rate at harvest was already Rs 1,500 a quintal, rising to more than Rs 2,000 in January 2008.

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25. I am quoting Indore mandi prices.
Thus, every farmer who sold soybean in the 2007 harvest — that is, almost all farmers in Ranipura village and in the rest of Malwa, large and small, rich and poor — profited from a Rs 300–400 increase in price compared to 2006. It was certainly an aberration, and not for the Reuters farmer alone! The additional Rs 400 income per quintal was clearly not the result of a considered decision to wait for prices to rise on the basis of information obtained through Reuters’ service, but due to changes in the larger historical, geographical and economic context.

The last time prices had hit Rs 1,700–2,000 was in January 2004, when a similar phenomenon had occurred.26 Prior to that, prices had never risen beyond Rs 1,500–1,600. They crashed back down to Rs 1,300 at the end of August 2004. Some Indian farmers had held onto their crop waiting for prices to rise in the post-harvest season in early 2005, but alas, prices remained at Rs 1,300. Some even had to sell at a lower price than they would have obtained during the harvest months. In early 2005, farmers accessing Reuters’ service would have witnessed a fairly static market (see Figure 1).

Furthermore, in Malwa, the soybean processing industry saw growing capacity during the 1980s and 1990s. A substantial number of small and large soybean processing plants were established due to liberal government support and entrepreneurs being enticed by the prospects of profit in the

26. Part of the US crop failed in September 2003 and there was a catastrophic drought in South America which impacted the harvest in March 2004. From late 2003 prices started rising and hit Rs 1,800–2,000 by March 2004. As a result of global bumper harvests in late 2004 and early 2005, prices dropped back to regular levels.
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Export of DOC. Much of this was excess and idle capacity, nearly three times the total production of soybean in the country. These plants were eager to purchase soybean to keep the unit functioning for as many days in the year as possible. The CAG system ensured a steady supply of soybean to these factories by giving a flat commission to large traders who could commit to supplying a daily quota of trucks. Companies paid a commission over and above the cost of procurement borne by the trader as long as the soybean was within certain quality norms (discussed below). This system created a strong incentive for traders to purchase as much soybean as possible, thereby creating a sellers’ market — of course, within certain norms of quality. The choupal system was an alternative to the CAG system but with similar aims of assuring supply.

Thus, price fluctuations for farmers were not a result of manipulations by local intermediaries like the choupal hubs or the traders in the mandis, who were price receivers. The price traders paid farmers was based upon the price they could get from domestic processing plants which, in turn, based their price upon the price of soybean meal on the Chicago Board of Trade and the price of palm oil on the Kuala Lumpur Commodity Exchange. When global prices went up, farmers in Malwa got higher prices, as happened in 2004 and 2007. When global prices went down, farmers in Malwa got lower returns regardless of where they sold their crop.

Disempowerment

It is clear that examining the broader context of agrarian markets, in this case global price fluctuations, is imperative to making sense of the relations of power that frame such markets and to understanding possibilities of empowerment for farmers. For some commodities, such as wheat, farmers in India have consistently succeeded in lobbying the government to increase the minimum support price each year, and have obtained direct benefits through higher procurement prices. India is the second largest wheat producer in the world, after China. Almost all the wheat produced in India is consumed domestically and a small portion of it is purchased by the government at a minimum support price (MSP) (Hanumantha Rao, 2006).

The MSP is recommended by the Commission on Agricultural Costs and Prices, a body of experts in agricultural economics (Varshney, 1995). But it is finally determined by the political party in power — which is open to

27. In the light of excess capacity, processing factories have unsuccessfully petitioned the government to allow imports of raw soybean for the last twenty years.
28. ITC-IBD always set its price for the next day based upon the previous day’s modal mandi price (which was influenced by the factors described above).
29. India produces about 11.8 per cent of the world’s wheat. For 2009 data from the Food and Agriculture Organization of the United Nations, see http://nue.okstate.edu/Crop_Information/World_Wheat_Production.htm (accessed 28 March 2012).
influence by farmers’ lobbies from the main wheat producing states of Punjab and Haryana, to increase the price every year. In 2005 the price of wheat was Rs 650 a quintal, which increased to Rs 850 in 2007, Rs 1,000 in 2008, Rs 1,120 in 2011 and Rs 1,285 in 2012 (Bureau, 2011). Farmers in Madhya Pradesh, too, were able to lobby the state government for increasing the MSP and the government obliged by providing a Rs 100 bonus per quintal over and above the MSP (Krishnamurthy, 2012). Because wheat is sold domestically and because the government is an important buyer, farmers’ organizations have been able to successfully lobby for the increase in the minimum support price each year.

Soybean farmers, by contrast, have no influence at all on the price of soybean, which is determined by international markets. Growing and trading soybean in India means participating in a global system and being subject to transnational forces which influence the price. It is only when the transaction of soybean farmers is contextualized in the broader setting of the global commodity chain of soybean markets that these larger processes of disempowerment come into view.

POTENTIAL FOR EMPOWERMENT?

Given the circumstances outlined so far, providing price information to farmers was not sufficient to empower them to obtain a better price. Rather, it was in non-price elements of the transaction that possibilities for empowerment could be found, that is, where either the choupal or the mandi provided scope for farmers to exercise power during the process of the transaction. According to farmers, these elements included negotiations surrounding the determination of quality, accurate weighing, on-time payment in cash or availability of credit, and respectful treatment of farmers. The discussion below focuses on quality determination, explaining how norms of quality were created in soybean markets and comparing the experiences of farmers at the respective institutions. Differences in the way these two market institutions were structured created possibilities both for empowering and disempowering farmers.

Creating Norms of Quality in Soybean Markets

The required quality of a crop is largely determined by its end use. Since the major end-use of soybean is deoiled cake, the predominant understanding of quality is in that light — what are acceptable levels of contamination when a crop is destined to be crushed?

According to traders, there were two ways to maintain and measure quality: mixing or grading (pala karo ya grading karo). Manoj Billalla Jain, a trader in Nirala mandi, explained that for those items in which quality
matters a lot, grading would be used: for example, wheat would have to be graded and differentiated. Farmer Birendra Singh Pawar added, ‘If soybean was meant for eating then quality would be very important and one would do picking, filtering, grading, etc.’ But since soybean was a milling item sent to processing plants, this was not needed. Instead, traders would do a *pala* or a mixing. Jain explained that they would mix twenty to thirty bags of different quality to even out the quality of the entire lot. The aim was not to produce the best quality but one acceptable within the norms of expected quality. In soybean, the quality specification of processing factories in Malwa was 2 per cent foreign matter (*mitti*), 2 per cent discoloured seed (*daagi*), and 10 per cent moisture. This is known as fair average quality (FAQ) or 2-2-10. Farmers who sold soybean falling within FAQ levels typically expected to receive the prevailing FAQ price advertised by processing companies, minus transportation costs. Soybean that was equivalent to seed quality (good enough for sowing the next year or 0-0-10, containing no mud or discolouration) would receive the highest price in the mandi. Similarly, quality below FAQ would face price cuts approximately according to Table 1.

30. Interview, 26 March 2006.

31. *Mitti*, or mud and foreign matter, could get mixed with the seed if the crop was threshed before it was completely dry. The crop was normally cut and left to dry outside in the fields for two to three days or more before being threshed. If it was even slightly damp or moist at the time of threshing, the stem would not get cut properly and would come out with the seeds as small, one inch sticks (*danthal*). The roots may also have moist mud particles stuck to them and this mud would turn into pellets the size of the soybean and come out with the seed.

32. *Daagi* is discolouration of the bean where the skin turns bluish/black from its natural yellow. This occurs when the soybean is cut, the plants are left on the field in heaps to dry in the sun, and it rains. The damage occurs when the bean absorbs a lot of water and dries again. It can also result from tall plants bending down with the weight of the mature pods or due to heavy rains (known as lodging), and the pods having contact with the wet mud for a long time. Seed with discolouration yields only 9–10 per cent oil as opposed to 17–18 per cent otherwise (Interview with Sharad Shah, Indore mandi, 15 April 2006).

33. Freshly cut soybean has very high moisture levels, up to 16–17 per cent at harvest. This reduces after threshing and storing for a few days. Those farmers who sell their crop right after harvesting face reductions in price due to high moisture content.

34. There are other, smaller distinctions in the bad seed category. (1) Shrivelled seed (*sal padna*) which occurs when the soybean absorbs some water, which then evaporates again. This is the first stage on the road to discolouration. (2) Green seed, where the plant and the pod do not mature fully to a golden colour. This is characteristic of certain villages near the Badnagar belt, but it can also happen within individual rows in a soybean field. Green seed changes the colour of the DOC and it also has lower oil content (Interviews, Pawan Mehta, Rakhabchand Ghasiram Mehta and Mehta traders, Badnagar, Ujjain district, 16 April 2006; Sharad Shah, 15 April 2006). (3) Small seed: if the plant does not get enough water within fifteen days of sowing, or if, when the seed is maturing, there is no rain and a lot of sunlight, the seed can remain small. It can sometimes become flattish (*chapdi, pichka hua*) because it does not fill up with nutrients (*doodh nahi bhar aata*). The oil percentage of such a seed is very low and it only yields DOC (Interview, Pawan Mehta, 16 April 2006). (4) *Dal* is soybean seed split into two with the outer shell removed. Although it has the same characteristics as regular
Table 1. Reduction of Price from Fair Average Quality (FAQ) Price for Different Quality Characteristics

<table>
<thead>
<tr>
<th>Quality Characteristic</th>
<th>Amount acceptable in Fair Average Quality (FAQ) (%)</th>
<th>Sample quality level (%)</th>
<th>Reduction in price of sample, assuming FAQ price = Rs 1,200 (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daagi (Discolouration)</td>
<td>2</td>
<td>12</td>
<td>(−60)</td>
</tr>
<tr>
<td>Mitti (Mud)</td>
<td>2</td>
<td>7</td>
<td>(−60)</td>
</tr>
<tr>
<td>Moisture</td>
<td>10</td>
<td>15</td>
<td>(−60)</td>
</tr>
<tr>
<td>Small Seed</td>
<td>10</td>
<td>100</td>
<td>(−75) to (−100)</td>
</tr>
<tr>
<td>Dal (Cracked Seed)</td>
<td>0</td>
<td>100</td>
<td>(−250)</td>
</tr>
</tbody>
</table>

Sources: Interviews with intermediaries in Dhar mandi, Ruchi choupal, ITC-IBD choupal, commission agents in Badnagar mandi, scientists and farmers in 2006 and 2007.

These quality norms structured the process of quality determination and influenced the power relationship between farmers and intermediaries. Were farmers able to negotiate quality standards with buyers? Did all buyers purchase all quality levels? How did the nature of a crop and of farming practices influence the quality levels of the output and discriminate against farmers? These are some of the questions that can help us understand how issues of quality frame the power relationship between farmers and intermediaries who purchase their crop.

Producers of Poor Quality

To begin with, not every soybean farmer could try his luck at the choupal. About the ITC-IBD eChoupal in Dakachiya, Hukum Chandji of Varun Karoda village in Indore district complained, ‘They only want good material from farmers. From their commission agents in the mandi, they will take poor quality also’. But then he said, ‘They pay farmers in cash immediately. With traders, they have to pay only after 10–15 days [and can afford to be more lenient]’. Since ITC-IBD wanted to purchase only good quality soybean from the choupals, farmers who were accepted at the choupal had to fulfil certain quality norms. According to the sanchalak from Khandwa village in Sehore district, ‘Only those with good quality go fearlessly (to the choupal)’.

seed (and in fact, the outer shell is removed before processing anyway), it still fetches a lower price. That is because in sieving the soybean at the processing plant, much of the dal goes out along with the mud and other debris and has to be recovered manually, which is an added expense (Interview, Sharad Shah, Indore mandi, 15 April 2006).

35. Interview, 23 March 2006.
The worst level of quality that ITC-IBD accepted was 13 per cent moisture, 7 per cent foreign matter, 5 per cent discoloured seed, and 10 per cent green seed.\textsuperscript{37} Below that, all soybean was rejected and farmers would have to find another buyer, mostly another trader at the mandi. Dr Jaya Mehta, an independent academic researcher and writer for the magazine \textit{Sandarbh}, in Indore, argued that this practice made things difficult for farmers. ‘Farmers face uncertainty. ITC-IBD can reject their grain and they have to take it back [and pay extra costs for transportation to the mandi]. In the mandi such rejected grain can be bought by another buyer [without the farmer incurring extra expense]’ (cf. Mehta, 2005).

About 15–20 per cent of the soybean arrivals in the mandi were of this poor quality.\textsuperscript{38} According to Gopalji, a small trader in Dhar mandi who specialized in purchasing poor quality soybean, ‘In the soybean season, out of 10–15,000 bags arriving daily, about 2–3,000 bags are of poor quality (\textit{halka maal}). 10–15 traders buy this: 200–500 bags each’.\textsuperscript{39} The sanchalak of Bhaunkhedi in Sehore district estimated during an interview in 2005 that out of twenty tractor trolleys that he directed to the ITC-IBD hub each day, at least five trolleys were rejected. Other sanchalaks corroborated that about 15–20 per cent of trolleys were rejected by ITC-IBD each day. Thus, not every farmer could sell at the eChoupal — one had to ensure a certain minimum level of quality. Despite having price information, being able to afford the transportation costs and having a potential buyer, some farmers were still excluded from the fray.

Gopalji’s shop was right next to the mandi lavatory. Smells wafted in and out as I sat there talking to him. He mostly purchased the soybean of farmers selling on the \textit{phad} (the shed where between \(\frac{1}{2}\) and 4 quintals could be sold). ‘We buy small, discoloured, muddy soybean and clean it and wash it (\textit{Mitti maal — halki, patli, daagi, mitti — saaf karvate hain, dhulvate hain}).’\textsuperscript{40} Soybean drinks water; moisture levels are acceptable at harvest time but later on more care is needed. Gopalji had a machine which he used to clean soybean, wheat and gram (\textit{chana}). He also employed groups of women to manually clean the soybean of mud particles, sticks and other foreign matter. Even after cleaning, the soybean would not qualify for 2-2-10 or FAQ. So Gopalji mixed it with other better quality soybean, which he purchased in the mandi. In the process he could stretch the level of mud to 2.5 kg but if it went up to 4 or 5 kg, he might lose money (\textit{nuksaan ka dar}). He sold the mixed soybean to large CAGs in the mandi like Prakash Modi (the largest trader in Dhar mandi, known as Modiji) and ITC-IBD’s CAG Dhanlaxmi Traders.

\textsuperscript{37} Interview with Deepak Pathak, Manager of the ITC-IBD choupal in Dhar, 28 October 2006.
\textsuperscript{38} Since quality was determined by external additions to the bean, poor quality could also be produced by well-off farmers (see below).
\textsuperscript{39} Interview, 24 February 2007.
\textsuperscript{40} Interview, 24 February 2007.
I was introduced to Gopalji by another young trader in the mandi. This trader told me in Gopalji’s presence, ‘He buys 200 bags of bad material, cleans it up and sells 150 bags. He will buy the worst material and clean it. He will mix water with it to increase the weight and do all kinds of things to survive’. But Gopalji explained that the work he did was painstaking and involved time, effort and money. ‘Big people [bade log; large traders] do not have time for this. Mostly they don’t get things cleaned. . . . It is a headache [matha pacchi]. They have their 1 per cent commission fixed’. Gopalji was referring to the CAG system prevalent in soybean where large traders like Modiji had a fixed quota of soybean to be purchased for a company. For every ton of soybean they supplied, which was within the quality range of FAQ, the CAG received 1 per cent commission or approximately Rs 10 per quintal in 2006. For CAGs and for companies like ITC-IBD and Ruchi Soya it was uneconomical to put in the effort required to buy poorer quality soybean.

In the past, traders purchased material from farmers with the right to sieve out impurities and foreign matter, and then weigh it. According to Modiji, the largest trader in Dhar mandi, ‘farmer’s crop was sold after sieving [maal chankar bikta tha]. That was a good practice [pratha]’. Thus, even large traders like him purchased various qualities of the crop as they had means to clean it and then weigh it. The cleaned crop would automatically be given the FAQ price but the farmer would get less money due to the resulting loss of weight. But because of government rules today, ‘the farmer is selling whatever he brings [Jo maal lata hai bik jata hai]’, he lamented. ‘You can’t cut anything. Sieving has stopped. . . . It is sold in “as it is” condition’.

This meant traders had to visually determine how much mud and foreign matter there was in a trolley or bag of the farmer. They were allowed to dip their hand deep into the trolley several times to take a sample. Those bringing soybean in bags had to display the contents in heaps on the ground and allow traders to take samples from every single bag in order to decide on the quality. The new norms made it far more expensive for large traders to purchase and clean poor quality soybean, thus disempowering those farmers who produced such a crop.

This is where the role of traders like Gopalji became important. The Guru Committee’s recommendation of setting up private market yards in competition with the government-owned mandis was expected to give farmers a choice of buyers in the face of alleged corruption of private mandi traders. But neither the choupals nor the large traders in the mandi were

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42. Interview, 24 February 2007.
43. By 2011, this had gone up to approximately Rs 20 as the rate for soybean increased to approximately Rs 2,500 per quintal.
44. Interview, 8 September 2006.
45. Ibid.
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accessible to all farmers. Small traders in the mandi, like Gopalji, became buyers of last resort. They ensured that poorer quality produce was also brought into the marketing system and that those farmers received some compensation for their efforts. Without the mandi, and the space it gave to small traders to conduct business, such farmers would effectively be disempowered with no place to go.

Producers of Best Quality

ITC-IBD’s fixed price structure reduced the incentive for farmers to bring the best quality soybean, that is, better than FAQ quality, to the hub. According to ITC-IBD’s manager in Sehore, ‘If a farmer comes with 0-0-10 quality in the mandi, he will get 50 rupees more. But ITC will still give him Rs 1,200 [which was quoted for FAQ quality]’. 46

The highest price in the mandi would be given for soybean that is equivalent to seed quality. ‘Good quality soybean with brightness or shine, bold seed [bhara hua dana] and no shrinkage [sukdapan] would even get Rs 100–150 per quintal premium over the modal mandi price’, according to R.S. Gujar, Agricultural Technical Advisor of the seed company Manikya Agrotech. 47 ‘If you take pure seed to a trader, he will also give you Rs 100 more’, stated farmer Suraj Jat from Ranipura. 48

Because of the auction in the mandi, farmers had an incentive to bring the best quality soybean. Traders would purchase better-than-FAQ quality at higher rates from farmers, and mix it with poorer quality bought at a cheaper rate, so as to send a consistent lot fulfilling FAQ norms to factories. But at the ITC-IBD choupal, the highest quality would still get only the FAQ rate. However, added the manager, ‘ITC will do insurance for the farmer for free next year.’ 49 It is not an immediate gain for the farmer, it is long term. But farmers do not really believe in premiums in the future — they want cash now. 50 So top premium quality farmers will go to the mandi or a trader will stop them on the way’. 51 At that level, said the manager, ITC-IBD cannot change the price, especially not upward, for one person only. The company cannot give a rate for 0-0-0 or 0-0-10 — that is, if the FAQ fetches Rs 1,200 and the highest quality fetches Rs 1,260 — because then the majority of

46. Interview, Sehore, July 2005.
47. Interview, 27 March 2006.
48. Interview, 5 October 2006.
49. ITC-IBD was providing insurance to farmers through its rural distribution system linked to the Choupal Sagar and would pay a farmer’s premium for the extra Rs 50 that the farmer would have obtained for good quality. ITC-IBD used this as a way to promote its other marketing products.
50. I argue elsewhere that many farmers sell their soybean only when they require cash for a transaction. This explains why they would prefer to get a higher price at the mandi rather than get free insurance or some other benefit in the future from ITC-IBD (see Kumar, 2009).
51. Interview, July 2005.
lower quality farmers will feel that ITC-IBD is reducing the rate by too much, that is, by Rs 160 instead of Rs 100, if they are given Rs 1,100.

The story of Gajanandji Maru is a good example of this. He was an old farmer from Ranipura who sold his soybean on one occasion to the mandi and on another occasion to the choupal. On 19 October 2006, he brought one trolley of soybean in the morning and parked his tractor in the main auction shed. Before the auction reached his trolley, Modiji came by and saw the soybean. Gajanandji told my assistant that Modiji really liked the soybean.

Sometime later the auction reached Gajanandji. Ten to twelve traders, along with two mandi employees, were walking from one tractor to the next. One mandi employee took out a sample of soybean in a steel bowl and passed it around to the traders. Traders shouted bids, starting with Rs 5 increments and ending with Rs 1–2 increments. The auction started at Rs 1,100. Modiji bid 1,110 and then 1,125. The rate was jumping fast to 1,145. Modiji was not letting anyone bid less. Finally Modiji said 1,193. No one said anything. Then he said 1,195, just in case, but no one responded. So the first employee shouted ‘1,193 one-two-three Modiji’. The second employee scribbled ‘1,193 Modiji’ on the pink slip and handed it to Gajanandji. He got the highest rate of the day. The modal rate for 19 October 2006 was Rs 1,150.

A few weeks later, on 28 November 2006, Gajanandji Maru again brought his soybean. The same day, Mahesh Jat of Ranipura also had soybean in two tractors. He had called the sanchalak of Chikliya village and learnt that the price at the ITC-IBD choupal was Rs 1,370. A few hours later, the ITC-IBD rate had increased to Rs 1,380. Tractors at the mandi were also being auctioned in the Rs 1,390s range. The highest priced soybean sold at Rs 1,413 in the mandi. Gajanandji’s auction started at Rs 1,350 and ended at Rs 1,365. He was expecting the bidding to go up to Rs 1,400 or so and was very disappointed. He cancelled his auction in the mandi, paying a penalty of Rs 5, and took his trolley to ITC-IBD’s choupal. There he got Rs 1,370, which was the same as the modal mandi rate for that day. He did not have to pay for weighing and bagging; neither was 300 grams per quintal reduced from the total quantity despite weighing the trolley on the electronic weighbridge. So, according to my calculations, he got an effective rate of Rs 1,375.

This story shows the importance of quality in influencing possibilities of empowerment for farmers. While selling better than FAQ quality soybean, farmers like Gajanandji Maru benefitted from the auction process at the mandi. At the choupal, they would have received a price approximating the mandi modal rate. On average, at least 10 per cent of farmers who came to the mandi fell into this category. However, with less than FAQ or FAQ quality, the choupal was an equally good option.

52. At the mandi, the total weight of the soybean obtained from the electronic weighbridge was reduced by 300 grams per quintal to allow for losses accruing to traders in bagging and transporting the goods.
The behaviour described above was fairly typical: farmers often found out the price in both the mandi and the choupals and then took their tractor laden with soybean to both places before making a final decision. At the mandi, farmers were free to pay a Rs 5 penalty and cancel the transaction once the auction was over if the price did not suit them. Many times, farmers would take only a small sample of their produce to get an actual quote for it from both places and then take their trolley to the best place. This was feasible in Dhar because the choupals were located within 2 km of the mandi premises and the cost of going back and forth was minimal. The Ruchi choupal’s rate was the same as that of the ITC-IBD choupal — the two were situated right opposite each other. Both rates were hand written in chalk on blackboards hung outside the gate: farmers could see them from the main road, before taking the right turn towards the mandi. However, in October 2007, the ITC-IBD choupal shifted to a location 5 km outside the perimeter of the town and nearly 8 km away from the mandi (to comply with regulations). This reduced the possibility of such comparative activity and decreased the ability of farmers like Gajanandji to realize the differential benefits of each marketplace depending on the quality of their soybean.

The choupal effectively excluded the bottom 20 and top 10 per cent of farmers. For others, such as those with lower than FAQ but not very bad quality, it was a matter of chance whether the auction would give them a price better than that quoted by the choupal rate-setter after deductions from the FAQ price. Only for those with approximately FAQ soybean was the choupal a better proposition. The primary reason for that is explained below.

Relationships for Retail

At ITC-IBD’s choupals, the company’s desire to build long-term relationships with farmers created an alternative set of dynamics which provided farmers a higher price despite it being a cost to the company.

ITC-IBD had set up a rural distribution network to sell consumer goods and services, such as insurance, to villages through the sanchalaks, as well as through rural malls, known as Choupal Sagars, situated at their hubs. They were competing against the existing rural retail network where credit relationships were the central feature of customer–trader transactions. Since ITC-IBD did not offer goods or services on credit, it had to create and maintain a different set of relationships with potential customers.

53. The line of products ranged from clothing, household items, tobacco and processed food including soybean oil and meal, to chemical inputs and machines required for farming.
54. At the mandi, social relationships between farmers and traders were framed around credit related to input or consumption purchases. In such cases farmers could negotiate the selling price of their soybean with traders and vice versa — but only in direct sale transactions (outside of the auction). Such transactions were illegal but not uncommon.
This is where it drew upon its sanchalaks and their relationships with farmers in their village. Sanchalaks would have brought farmers to ITC-IBD’s hub by dissuading them from taking their tractor to the mandi and possibly assuring them of a better price for their soybean or of a quick turnaround and accurate weighing. If the rate-setter gave a price which the farmer felt was too low, the sanchalak could request him to reconsider (as the farmer might feel that the mandi auction would have been a better choice). Sometimes sanchalaks were successful in negotiating a higher rate for farmers from their own village by suggesting that the quality of the farmer’s soybean was not as bad as had been estimated. Given the pressure to create and maintain personal relationships with farmers and sanchalaks, the rate-setter would acquiesce as a way to oblige the sanchalak and encourage him to bring more farmers to ITC-IBD’s hub. At times, farmers and sanchalaks could ‘nudge’ the rate-setter to increase the price by Rs 5 or Rs 10 per quintal.

Moreover, ITC-IBD kept its FAQ price fixed throughout the day to provide farmers with an assured minimum price. Thus, when international prices of DOC fluctuated during the day, at the ITC-IBD choupal the FAQ price for the farmer would remain constant. Since ITC-IBD based its FAQ price on the previous day’s mandi price, any variation between the two prices could occur when global prices changed. When international DOC prices, and thus the mandi price, rose above ITC-IBD’s quoted FAQ price, the company increased its price by 11 am and possibly again by 3 pm to match the rising prices in the mandi, ultimately offering farmers a similar price bracket.55 On days when the mandi price fell below the eChoupal price, farmers flocked to the choupal, causing losses to ITC-IBD. On such days, the price for ITC-IBD’s soybean meal on international markets would fall too. But the company would honour the higher fixed all-day price it had pledged to farmers for their soybean.56 The monetary losses were absorbed by the company in the expectation that longer term relationships with farmers would translate into more sales on the rural retail front.

This played out in practice on 29 November 2006 in Dhar. The price of soybean opened at Rs 1,360 in Dhar mandi at the tractor auction but by afternoon, it had fallen to Rs 1,325. Four farmers from Ranipura had brought soybean to sell in expectation of the high prices of the last few weeks and had been waiting in the auction queue since 10 am. With the terrible rush in the mandi, their turn came only around 4 pm and they couldn’t believe that the price had gone down. All four cancelled their mandi receipts and took the tractors to ITC-IBD’s choupal. The choupal rate had to be kept constant and remained at Rs 1,360 all day. Between 3 pm and 4 pm there was a flight of trolleys from the mandi to the choupal. All four farmers received a rate

55. If ITC-IBD didn’t raise prices, farmers would abandon the choupal and go to the mandi.
56. When mandi prices fell, as a processor, ITC-IBD would ideally reduce its own procurement price, which it did for purchases outside the eChoupal network. But within the choupal system, the company maintained the earlier, higher prices, and thus incurred losses that day.
between Rs 1,355 and Rs 1,360 per quintal. The modal rate in the mandi was Rs 1,320 that day and the highest rate was Rs 1,376.

The next day I found out from the mandi records that, from a total of 536 transactions, 57 fifty-nine had been cancelled and, presumably, the farmers had headed over to the choupal. The choupal manager informed us that more than ninety trolleys had come that day, compared to an average of fifty to sixty, because the market had crashed. Not only did these farmers get a higher price, they also did not have to pay for bagging and were saved from the 300 gram per quintal deduction in weight despite using the weighbridge. ITC-IBD paid for the weighbridge, the mandi weigher’s fees, bagging, the revenue stamp on the transaction slip, salaries of its own staff and rent of the warehouse. Thus, when the price fell, the choupal provided farmers with a cushion in the hope of winning future customers.

QUESTIONS OF QUALITY

What were the implications of the quality norms and their institutional expression for soybean farmers? Did they penalize small and marginal or poor farmers? Was the exclusion from the choupal making it harder for poor-quality producers to sell their crop? Would they be removed from the market entirely or be forced to find alternative uses for their crop? Surprisingly, soybean’s physical characteristics, its end use as cattle-feed, and the quality norms all came together to create conditions in favour of poor farmers.

Soybean: The Great Leveller

Typically when marketing institutions penalize poor quality, they discriminate against small and marginal farmers who are unable to afford the inputs required to produce a high quality crop. Over time, poor quality producers exit altogether and only standardized products make their way to the market. However, the story of soybean is refreshingly different.

Quality norms in soybean were established based on its primary use for deoiled cake. This made the acceptable quality level of the crop less rigid compared to food grade soybean. Contamination was measured based on external additions to the bean rather than any intrinsic quality characteristics like protein level, oil content, or fatty acid spectrum of soybean. External additions to the bean were caused by environmental factors. Discolouration (daagi) usually happened to the crop of an entire area when untimely rains fell during and after the harvest (towards the end of the monsoon), affecting rich and poor, large and small farmers alike. Since soybean is a rainy season

57. This included transactions of bullock carts and small size transactions of less than 10 quintals — a tractor holds 25–35 quintals.
crop, the possibility of rain at harvest was always present. Farmers would try to protect the soybean by covering it with plastic sheets but any pods with excessive surface contact with water would be affected. It would be worse if the pod had opened up a little allowing water to seep inside and touch the beans directly.58

Mud and foreign matter could get mixed with the seed if the crop was threshed before it was completely dry. Farmers who were dependent on using others’ threshers did not always have the choice to wait for their crop to dry sufficiently before threshing it. This would include large and small farmers alike, because not every large farmer or tractor owner would necessarily own a thresher. Thus, as long as external conditions remained favourable, even poor farmers could obtain FAQ levels of quality.

Since poor quality in soybean was a result of external additions to the bean and not due to intrinsic qualities of the bean, poor use of inputs or low soil fertility did not prevent a farmer from obtaining an FAQ level of quality.59 According to Mr R.S. Gujar, Agriculture Technical Advisor, Manikya Agrotech, who started his career in the agriculture department in 1962 and studied at the Sehore Agricultural College, ‘There is no difference in quality of the two seeds of two farmers who do good versus not so good practices. Except that next year the output of the improved seed will be more but there won’t be much difference in quality’.60

Dr K.K. Nema, entomologist at the Sehore Agricultural College, reaffirmed this, emphasizing that soybean was a rainy season crop. He said, ‘Quality is dependent on the rain. In a spell of drought the seed will remain small (halka). Problem of quality happens because of rain or bad management after cutting the soybean and allowing mud to get stuck to it. Methods of harvesting and threshing contribute to it’.61 Both rich and poor farmers were equally vulnerable to such conditions.

Thus, it was impossible to eliminate variation in quality. But those with poor quality could turn it into good quality by cleaning it. This meant sieving out big mud particles and sticks and manually removing smaller mud particles and bad seed. Cleaning was done by farmers mostly using the labour of the women in the house or hired workers. Farmers who did not have the financial capability to wait for a few days before selling would be forced to sell a crop with high mud and moisture levels. They were the ones who had bank loans to pay off, or consumption loans, or who needed to take out new loans for the next crop, were they planning on planting wheat

58. In 2004, it rained for ten days continuously in the Badnagar area and the crop ended up with 20 per cent discolouration.
59. Some controversy surrounds the impact of fertilizers. It may increase the yield but does not affect the quality of the seed. Pesticides are used before the pod maturing time. Once the beans have formed, pest attacks diminish. Pest/fungus attacks usually affect the yield by killing some plants rather than changing the quality of the bean.
60. Interview, 27 March 2006.
or gram. Moisture levels would remain high right after harvest. Those who were dependent upon another farmer for transporting their crop to the market would also have to sell whenever transport was available. Thus, poor farmers would have less opportunity to undertake the cleaning of their crop unless they had access to sufficient labour (especially female family labour) and time to complete the task manually. But, given the small quantity produced by small farmers, it was not uncommon to see them selling soybean that had been cleaned of external impurities. Thus, the very act of growing soybean empowered farmers in comparison to a crop where achieving good quality, and thus a good price, was a greater challenge.

### Demand for Pala

The other intriguing part about soybean was that poor quality soybean was not penalized very heavily in terms of remuneration (see Table 2). The spread between the price of the highest quality and the lowest quality in the market yard was not more than Rs 200–300.\(^{62}\) This was in contrast to other crops like gram where, ‘if you have poor quality [small size, colour is not bright, holes in it, etc.], then you get only one fifth of the price’, according to farmer Birendra Singh Pawar.\(^{63}\) This was because it was a simple, although time-consuming, manual process to convert poor quality into good quality.

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\(^{62}\) This is calculated for the FAQ soybean rate of Rs 1,200–1,300.

\(^{63}\) Interview, 26 March 2006.
soybean. The mandi was full of groups of women employed by traders for this task. Furthermore, there was a demand for poor quality produce.

According to traders in Dhar mandi, they would mix several qualities of soybean (make a pala) to come up with a consistent lot fulfilling FAQ norms to fill one truckload. At the factory, the quality of the soybean in each truck could be evaluated by taking a sample from anywhere in the truck. As long as it was within the FAQ range, the lot would be accepted by the company without any price cuts and the trader or CAG would receive the requisite commission. Logistically, this process made it easier to move large quantities of material through the system as every truck was approved if it had soybean within the limits of FAQ, rather than having to identify the exact level of quality it contained and then giving it a separate price. This gave some quality assurance to the companies who could expect a certain level of acceptable contamination in the DOC. It also structured the way traders purchased soybean from farmers.

There was no incentive for traders to send soybean that was better than FAQ to processing companies because there was nothing to be gained. ‘Everyone has to maintain the average of the rates. It is most essential’, emphasized Tarun Naagar, a trader in Nirala mandi. The aim was to ensure that inferior material did not go to the factory and that a trader made some money at the same time. In this way, a demand for poorer quality soybean in the market was guaranteed. As explained earlier, the excess processing capacity of soybean factories in Malwa created the CAG system to ensure a steady supply of the bean. As long as this situation continued, soybean farmers in Malwa would find a market for all levels of quality of the crop.

However, companies like ITC-IBD were keen to purchase good quality soybean. In fact, this was one of the rationales given for establishing the eChoupals. Through the choupals soybean was brought loose in trolleys (usually belonging to a single farmer) without being mixed and bagged at the mandi. During interviews in 2003, ITC-IBD managers claimed that soybean purchased through the eChoupals had consistently been better in quality compared to the mandi-procured soybean. The company further argued that unobservable or intrinsic qualities of soybean were not deemed to be important in the determination of quality of a farmer’s crop and their scientific method of quality measurement at the eChoupals was a means to overcome this problem. They wanted to create a DOC product with lowest levels of contamination so that it could be sold for a premium in certain export markets.

64. Interview, 17 April 2006.
65. Indian soybean was non-genetically modified, which created niche markets for DOC in east Asia and the Middle East. This was an added advantage in terms of ensuring a market for the crop, although it did not translate into a financial premium.
66. When ITC obtained premium quality it was kept separate according to the manager. In July 2005, 500 tons of such grade 1 soybean was kept in the warehouse to be processed separately to obtain higher quality DOC and oil.
In discussions and during presentations on the choupals, ITC-IBD employees often insinuated that traders in the mandi would buy batches of both very good and very bad quality produce, then mix them up before selling to companies like ITC-IBD for a higher overall margin.67 ITC-IBD would get lower quality soybean, which upon processing yielded less oil and more contaminated deoiled cake. Unfortunately, ITC-IBD’s descriptions generally misrepresented traders’ actions as resulting out of deceit rather than from following historical norms of measuring quality in soybean.68 Traders were not sending pala (soybean that is mixed to ensure it meets FAQ norms) with the intention to commit fraud. It was part of the structure of how soybean was evaluated for purchase in Malwa.

If ITC-IBD was keen on purchasing higher quality soybean, a simpler method would be to give traders an incentive to send graded soybean by giving a bonus for material better than FAQ (2-2-10). They could even have requested their own commission agents (CAGs) to send them specific varieties of soybean that yielded higher levels of oil content and fatty acids. A very small amount of soybean was purchased for food by Ruchi Soya, Sonic Biochem and other companies that produced soya protein nuggets, soya milk and other food products. The criteria for food-grade soybean were different, and these companies bought very high quality graded soybean from the regular CAG-trader network.

The choupals were an additional, expensive proposition if the aim was to buy soybean alone, or even to increase one’s market share in soybean processing or export. Hence, all other companies, except ITC-IBD, had just a handful of choupals or hubs across Malwa. Only ITC-IBD had the extensive 1,700 strong village internet centre network along with its forty-four hubs. It was the long-term retail relationship and the possibility of procuring various other commodities, such as wheat for its Foods Division, which sold processed food such as wheat flour, biscuits and noodles, that made this investment attractive. A sanchalak from Bhopal district had expressed concern at the intentions of ITC-IBD during my first visit in 2003. He asked me, ‘But what is ITC’s aim? To put all this investment, this computer . . . ? We don’t know. We know what it [the company] tells us but . . . is it to capture (kabza karna) the village market?’ 69

67. Traders who were not commission agents for specific companies did purchase soybean of various qualities, did pala, and sold it with the expectation of a profit margin. The quality of their truck of soybean was measured at the factory and an individual price was given depending on the divergence from the FAQ norms.

68. These descriptions were used by company officials in explaining the value proposition of the eChoupal to academics like me and to other outsiders. This drew upon historically prevalent biases against intermediaries and led many to accept the company’s position without question. For example, Goyal (2010) suggests that intermediaries were not competent enough to decide on the quality of soybean. However, having this ability was fundamental to being a trader, without which one could not hope to do business (at least not in the long term).

69. Kabza means ‘capture’ as if with tentacles — in this case, market share.
CONCLUSION

In this article, I have argued that possibilities of empowering farmers in the marketing of their produce must be understood far more broadly than simple technologically-deterministic notions of information provision or disintermediation, which were popularized by projects such as the eChoupal. I show that power in agrarian markets was shaped by a variety of factors that governed the relationship between farmers and intermediaries who purchased their crop.

Soybean in Malwa was a cash crop with no direct use to farmers, and was primarily processed and exported as cattle feed. The very expectation of disintermediation was misleading in such a context since intermediation was essential for the soybean chain to succeed. In fact, these global networks brought together forces that effectively prevented both farmers and intermediaries within Malwa from exerting influence on the global price of soybean at all.

Instead, the possibilities of empowerment in the relationship between farmers and traders were framed by the norms governing quality and by institutional characteristics of the soybean market in relation to these norms. In this context, the excess processing capacity, the CAG system, and auctions in the mandi empowered farmers, while the pricing policies at the eChoupal disempowered those with poor quality and ironically, even those with excellent quality soybean. It was only when the eChoupals were viewed as a part of ITC-IBD’s rural retail network that limited possibilities of empowerment became apparent. Simply having knowledge of the FAQ price did not shift the relations of power between intermediaries and farmers.

One surprising finding was that poor quality producers and poor farmers were not heavily penalized in the soybean marketplace, despite being excluded from the choupals. This was attributable to the physical characteristics of soybean and its end use as deoiled cake, which structured the norms of quality determination.

Policy prescriptions for agrarian markets need to consider the various relationships of power that structure specific marketplaces. These relationships are, in turn, influenced by norms such as those governing quality, as shown above. These norms are determined by various aspects of growing, processing, transporting, marketing and consumption of any given commodity. Thus, local geography and ecology, crop characteristics, historical relationships of farmers and intermediaries, and the global and regional economics of the commodity in question become germane questions when considering the possibilities of empowerment.
REFERENCES

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