Contesting Agricultural Markets in South Asia: Farmer Movements, Co-operatives and Alternative Visions

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Abstract

Recent laws for privatizing agricultural produce markets in India are just one prominent example of long-running efforts to liberalize agriculture across South Asia. These legacies of state withdrawal from agriculture and the growing role of private intermediaries in both input and output markets have precipitated simultaneous crises of reproduction and accumulation in the countryside. However, such trajectories of liberalization are both context-specific and politically contested. Drawing from two cases—the Pakistan Kissan Ittehad’s efforts to build a broad political coalition among differentiated agrarian producers to contest the place of farmers in agricultural markets and the Northern Sri Lanka co-operative movement’s autonomous initiatives for post-war rural reconstruction—this article argues that rural movements are providing new and alternative visions for how farmers can engage with liberalizing agricultural markets on more equitable terms.

Keywords
South Asia, liberalization, farmer movements, co-operatives, accumulation, social reproduction

I. Introduction

The slew of post-pandemic agrarian ‘reforms’ across South Asia represents a continuation of long-running efforts to open up and expand opportunities for capital...
accumulation and private profit in agriculture. These initiatives are underpinned by a political and policy vision which sees the region’s predominantly smallholder agriculture as inefficient and backward. Framed in this way, the best solution to a protracted and deepening agrarian crisis lies in the increased participation of a diverse range of non-state actors—private seed, fertilizer and pesticide companies, microfinance institutions, and large agribusiness corporations—in agriculture. Attempts to address a perceived ‘lack of efficient markets’ by restructuring and privatizing agricultural markets have been, and remain, a crucial element of this modernist vision for agrarian transition.

The reality, however, is that many South Asian farmers have been well integrated into commodity circuits for quite some time now (Banaji, 1977; Bharadwaj, 1985, see also the elaboration of commercialization of output markets in the article’s case studies). Nor are they averse to the adoption of new technologies and methods of cultivation. Perhaps most crucially, these dominant narratives of contemporary rural distress tend to ignore its roots in decades of agricultural liberalization. The discussion in this article highlights how declining state intervention and support for the agricultural sector coupled with the growing clout of private corporate actors have, in diverse and context-specific ways, left a large proportion of South Asia’s rural producers highly vulnerable. Recent measures taken in the aftermath of the pandemic—for instance, Sri Lanka’s sudden cuts to fertilizer and pesticide imports or efforts to corporatize agricultural produce markets in India—further shift the balance of power in agriculture away from farmers and towards private intermediaries and large corporations.

South Asia’s farmers have not remained silent in the face of the increasingly existential threats they face due to state withdrawal from, and growing capitalist penetration of agriculture. This article argues that such resistance to agrarian liberalization and, in particular, the privatization of agricultural markets is being conditioned by the trajectories of rural change in their specific political–economic contexts. We demonstrate this by unpacking the wide diversity in how agricultural liberalization has unfolded in the region, their impacts on farmers, and in the political and economic responses of farmers and their movements to these processes.

The rest of this article is structured as follows. Section II provides a brief overview of agrarian liberalization in South Asia. Thereafter, Sections III and IV elaborate on the context-specificity of liberalization processes and rural politics through two case studies, of the Pakistan Kissan Ittehad (PKI) farmers’ movement and the co-operative movement in Sri Lanka’s North. Section V concludes with some broad observations on possible future trajectories of agrarian markets and rural politics in the region.

II. Trajectories of Agricultural Liberalization in South Asia

Economic programmes across South Asia in the period after independence were shaped around a strong commitment to social welfare and rural development. Despite the widespread failure of radical land reform and redistribution, concerns
about food self-sufficiency, and ambitions to redirect agricultural surpluses for industrialization, motivated public investment in agriculture and state provisioning of credit, input subsidies and price supports for agricultural produce. Green Revolution policies adopted in parts of South Asia during the late 1960s and 1970s were also marked by a substantial expansion of such state support for agriculture (Lutringer, 2010; Patel, 2021).

With the subsequent decline of this post-independence developmentalist consensus and the shift towards a neoliberal development framework that prioritizes deregulation and a reduced role for the state, the liberalization of the agricultural sector has gathered pace. Agricultural liberalization in South Asia has been characterized by a sharp decline in direct state support for agriculture, as well as efforts to privatize crucial state functions. It is possible to trace some common contours of such processes across the region. First, crucial institutional price support mechanisms—for instance, the Paddy Marketing Board and the Co-operative Wholesale Establishment in Sri Lanka, and Agricultural Marketing Committees and Minimum Support Prices in Pakistan and India—have been dismantled or substantially restructured to incentivize private participation in output markets. Second, there has been a sharp push towards trade liberalization, often in response to World Trade Organization mandated arrangements and Structural Adjustment Programmes by international financial institutions. Sharp reductions in tariffs and non-tariffs barriers for agricultural products have been accompanied by a rise in food imports, particularly as governments seek to manage prices of essential commodities (Hathurusinghe et al., 2012; Khan et al., 1994; Reddy & Mishra, 2010). Third, state-directed rural credit, input subsidies and agricultural extension services have declined sharply in an effort to reduce fiscal expenditure on agriculture (Reddy & Mishra, 2010).

Liberalization has left South Asian farmers highly vulnerable, albeit with substantial class-based and regional variation (Lerche, 2015; Sinha, 2020, see also the case study of Pakistan). Rural producers have experienced a dramatic rise in cost of cultivation due to increases in input prices, even as deregulation of output markets and rising food imports increase price volatility and uncertainty (Ghosh, 2005; Himanshu, 2018). South Asian agriculture, much like in other parts of the world, has become an increasingly risky proposition characterized by inter-related and self-reinforcing dynamics of highly volatile output prices, dependence on informal and predatory credit sources, widespread environmental degradation and risks, and shifting cropping patterns towards cash crops and exports. The roots of a growing reproduction squeeze confronting many of South Asia’s farmers, and the acute rural stress in the current pandemic period, lie in these legacies of state withdrawal from agriculture and the growing role of private intermediaries in both input and output markets.

The pace of agricultural liberalization in South Asia has varied across the region. In Sri Lanka, for instance, such processes were put in place as early as 1977 with the Jayawardena regime aligned with the West after two decades of Non-Alignment and entered a Structural Adjustment Programme with the International Monetary Fund (IMF). And while the broad contours of liberalization outlined in this section may be similar, its specific content and thrust shows
significant variation, both within and across countries. Importantly, these trajectories and experiences of agrarian liberalization also have to be understood as being shaped by, and shaping, rural politics in crucial ways.

The current Indian farmer’s protests provide an instructive example of these variable and interacting dynamics of agrarian liberalization and politics. The recent attempts to deregulate and privatize markets for agricultural products threaten to undermine the limited framework of state procurement and output price supports in former Green Revolution regions of North-west India. Since such state support is an integral element of the contemporary dynamics of agrarian accumulation and social reproduction in these areas, the proposed ‘reforms’ have been strongly contested by farmers. The farmers’ protests thus demonstrate the continuing political relevance of India’s ‘new farmers’ movements’ which rose to prominence in the late 1970s and 1980s (Brass, 1994) but also highlight how these mobilizations have significantly evolved through the intervening decades of liberalization. The extent to which a similar situation exists in other countries in South Asia remains a question of empirical exploration and debate.

It is this context-specific relationship between agrarian liberalization and rural politics that the article attempts to unpack. We focus on two case studies, the PKI farmers’ movement1 and the co-operative movement in Sri Lanka’s North2. Both of these cases examine the evolving and politically contested dynamics of agricultural markets in their particular political economic settings. In doing so, they call for closer attention to how these dynamics are linked to broader agendas of agrarian liberalization; the changing roles of the state and private sector actors, the impacts of liberalization processes on diverse classes of rural producers, and their political responses.

III. The Pakistan Kissan Ittehad: Mass Farmers’ Movements Contesting Liberalizing Agricultural Markets in Pakistan

Pakistan’s journey of agricultural liberalization goes back to policies initiated in relation to its first structural adjustment programme with the World Bank in the early 1980s. In this decade, the military regime reduced spending on agricultural subsidies from 8.6% to 2.2% of the national budget. This was still far short of the objective to ‘eliminate the fertilizer subsidy’ (World Bank, 1986, p. 4). This period marked the deregulation of agricultural markets, including the denationalization of flour, rice mills and ginning factories; deregulation of sugar; allowing voluntary wheat procurement; deregulation of pesticide industry; removal of the ban on importing edible oil; deregulation of fertilizers; easing exports and imports; privatization of public tube wells; and, the deregulation of the seed industry (Khan et al., 1994, pp. 539–547).

The decision by the Pakistan People’s Party government to remove subsidies on electricity for agricultural tube wells in 2011—as part of reforms linked to an IMF economic rescue package—represented a continuation of this liberalization process. However, these measures precipitated the emergence of a mass farmers’
movement, the PKI, which brought together smaller subsistence-oriented and larger accumulation-oriented farmers in the province of Punjab. Over the next three years, its mass mobilizations were able to disrupt major infrastructure, cripple the electricity bureaucracy in rural Punjab, and effectively present itself as the voice of Pakistan’s ‘suffering farmers’. As the first mass movement of post-Green Revolution farmers to emerge in Pakistan, the PKI represents a particular articulation of how differentiated classes of farmers respond to the liberalization of agrarian markets and, in particular, their impacts on social reproduction and accumulation in the countryside. Since agrarian markets in Punjab are constituted by a range of internal and externally driven factors, the PKI contests not just the dynamics of agrarian liberalization per se but also the wider dynamics of agrarian change in contemporary Pakistan.

This section examines how, in its vision for agrarian producers in Pakistan, the PKI articulates the agrarian crisis as a dual crisis of reproduction (for small farmers) and accumulation (for large farmers). This is done by focusing on diverse aspects of the political economy of agriculture, including water, production and trade. We argue that such mass-based farmers’ organizations are contesting dominant interventions in the agricultural sector from the positionality of subjects integrated within local, national and global agrarian markets. Read alongside the Indian farmers’ protests against the corporatization and liberalization of agriculture, mass-based farmers’ movements like the PKI offer an insight into the contradictions of contemporary agrarian capitalism in South Asia and the political economic terrain along which contestations are being enacted.

**The Political Economy of a Rural Class Alliance: Reproduction and Accumulation Squeeze**

Since the 2000s, the Green Revolution growth spurt (Alavi, 1982; Chaudhry, 1983; Herring, 1983; Khan, 1983) in the Punjab region of Pakistan has begun to be replaced by yearly cycles of negative and positive agricultural growth (Economic Survey of Pakistan, 2010, p. 14). The cost of production in agriculture has been on a steady rise as subsidies were reduced, local and transnational seed companies replaced state-run seed corporations, and the dependency on electricity and oil grew. Returns have become much more unreliable given yield and price uncertainties. While the Pakistani state provides support prices for much fewer crops than neighbouring India, it has quietly ceded ground to other actors even in these so-called protected agricultural markets of wheat, cotton, rice and sugar-cane. The price volatility and constant decline in the surplus generated from traditionally protected crops pushed smaller farmers into growing riskier crops such as potatoes, tomatoes and other fruits and vegetables. Larger leasehold farmers in the province had already been relying on volatile crops: hedging their bets on storage facilities and export markets to be able to sell at the ‘right time’.

As a class alliance between these two types of farmers, the PKI had to effectively articulate the interests of differentiated farmers to maintain its coherence as a movement. Smaller farmers continue to rely on growing multiple crops, including a range of crops for subsistence and paying labour. Wheat, mustard and fodder
continue to be cultivated directly for human and animal consumption. Much of the rest of their produce continues to be geared towards crops considered to be more protected by the state, such as maize, rice, cotton and sugarcane. However, price volatile crops like potatoes and peas have rapidly spread across central and southern Punjab due a range of factors, including ecological distress, crop disease, monopolised markets, rising costs of production and social reproduction in rural Pakistan. The so-called stable crops no longer offer enough returns for the social reproduction of farming households. This reproduction squeeze on small farmers has forced them to take riskier decisions with little protection against highly volatile markets.

In contrast, larger commercial farmers, who dominate the leadership of the PKI, face a different kind of challenge: of accumulation. These farmers generally grow cash crops on leased land and use multiple strategies to ensure accumulation: reducing the cost of production, using or building cold storage facilities and turning to export markets. These commercial farmers are a new agrarian class in Pakistan, different from the colonial and precolonial landed classes in Pakistan. Often starting as small to medium farmers in the 1970s, some have grown as much as being able to grow single crops on thousands of acres of leased land. They accumulated capital growing crops that were not price protected by the government, such as tobacco and vegetables. They have traditionally benefited from the same highly volatile markets that are now putting a reproduction squeeze on small farmers. The ability of such farmers to compete on the international market remains predicated on the low price of inputs, maintained through state subsidies on fertilizers and electricity, as well as the continued availability of cheap labour.

The tension between the economic interests of small and large commercial farmers within agricultural markets remains quite significant. These commercial farmers are often cultivating land owned by smaller farmers who were disposessed by agrarian market cycles, that is, making losses on marketed produce. In 2015, the PKI made headlines when it decided to dump potatoes in front of the Punjab Assembly in Lahore in protest over low potato prices. Since then, protests about the collapse of potato prices during harvest have become an annual event. Its demands have shifted between asking for support prices, guaranteed state buying, and the opening up of export markets into Central Asia. However, despite heavy losses taken by smaller potato growers during the harvest period, the potato protests have lost their attraction for farmers. The PKI has been unable to articulate the contradiction that lies in the different ways in which differentiated agrarian producers define their relationship with land, crops and markets.

Mass Farmers’ Movements and Markets in Pakistan: Imperfect Contestations of Agrarian Crisis

The PKI as an alliance between differentiated farmers—some more oriented towards subsistence, some towards commercial production—also faces
challenges in terms of articulating its position on agrarian markets. Larger commercial farmers have benefited from unregulated markets in certain agricultural commodities, rising from being small and inconsequential farmers to cultivating hundreds of acres of leased land, owning cold storage facilities and engaging directly in the export of their produce. However, commercial farmers have also seen other farmers who have ‘made it’ fall from grace. The countryside is littered with stories of commercial farmers who went bankrupt after a particularly bad season. Each crop season effectively means putting significant capital—their own and from banks—into a crop. If the crop does well, profits will be high, but if prices never recover or disease strikes, they can lose everything. It is a high risk, high reward enterprise, which is delicately balanced by input prices and the ability to access local and international markets at will.

Smaller farmers engage with markets from a much weaker position due to capital constraints. They must rely on arthis for seasonal capital, which often means they are tied to selling their produce directly to a specific commission agent, rather than through the open market. When selling in the open market, they are tied to current prices in district markets, since they lack the capital to be able to put their produce in storage or transport it across borders where prices are higher. The bulk of their cultivation consists of subsistence and price-supported crops. However, the increasing cost of social reproduction and diminishing state support means growing riskier crops is becoming common. Compared to larger farmers, smaller farmers have few options to protect themselves when prices fall, especially during harvest seasons.  

The need to represent the perceived interests of farmers differentiated along this spectrum has meant that the PKI has continued to advocate what could be understood as selective market liberalization. In terms of agrarian inputs, it remains committed to demanding subsidies for fertilizers, pesticides, machinery and electricity. In terms of markets for produce, it asks for selective protection and liberalization. Since 2013, the PKI has frequently protested against agricultural trade with India, arguing that the Pakistani farmer cannot compete on prices with Indian farmers because they received higher subsidies. Often, the PKI leadership in press conferences and protests will refer to pro-farmer policies in India. On the other side, it continues to push for opening trade for agricultural commodities with Afghanistan and Central Asia. In particular, in the February 2018 protests around the potato price crash, the PKI leadership advocated for two key demands: a minimum price for farmers and opening up the Afghan border, which was closed due to a standoff between the two armies. The reality on the ground was that small farmers had already made substantial losses—either selling their produce below the cost of production or destroying their fields, since the cost of harvesting, packaging and selling the potatoes was higher than sale prices. In such a situation, it is only farmers with access to capital who are able to put their produce in storage, and wait for a price hike, which happens around three months after harvest.

There is no easy resolution available for the PKI to maintain class interests across all of its membership in relation to agrarian markets. It is able to mobilize fairly coherently around demands such as enforcing rules stating that a small farmer should be head of the district agricultural marketing committees, or
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asking for open bidding instead of direct buying by arthis. However, faced with unregulated and deregulated crop markets, it has a dilemma: these markets can reap high profits for larger commercial farmers, but can cause ruin for smaller farmers, which make up the bulk of its active membership base. In the 2018 protests, it lost the support of the smaller farmers, which meant that its protest at the provincial capital, Lahore, failed to exert any serious pressure on the government. The ostensible incoherence of its demands and the perception that potato farmers were a segment of ‘self-interested, commercial’ farmers who did not share the interests of smaller farmers had a part to play in this.

While the PKI claims that agricultural markets are exploiting farmers, we have briefly seen that the task of bringing together the interests of differentiated groups of farmers across rural Punjab is not an easy one. A small, but important, segment of farmers has benefited from unregulated agricultural markets, while other farmers continue to suffer losses as liberalization has diminished state support and vital protections. In its overall vision, the PKI advocates the need for a ‘prosperous kissan for a prosperous Pakistan’, through a combination of subsidies, support prices, trade restrictions and trade facilitation. It also continues to see a role for the state in supporting farmers over other segments of the agrarian political economy by intervening in areas like seed research and certification, providing agricultural support services and regulating agricultural trade based on the seasonal needs of farmers.

However, it is also clear that implementing the PKI’s vision for the future of agrarian markets will lead to winners and losers amongst differentiated landowning farmers. Despite a seemingly non-radical agenda, the PKI’s demands for agrarian market reforms have met a lukewarm response from the state. Key policymaking positions around agricultural policymaking have been handed to large-scale corporate farmers. While the PKI has been able to force itself into the national conversation and dialogues on agrarian policy, many of its key demands and victories continue to remain in the balance.

IV. Sri Lanka’s North: Legacies of Liberalization and War, and the Emerging Possibilities for Agrarian Co-operatives

Sri Lanka’s current agrarian problems stem from decades of aggressive liberalization. The Jayawardena regime that came to power in 1977 initiated what it called open economy policies, whose core feature was the liberalization of trade (Herring, 1987). This push reduced tariffs for imported crops, as well as curtailed the role of the state in purchasing domestic crops and setting prices. Output markets became volatile, state investments in agriculture declined and its engagement with farmers reduced to fertilizer subsidies (Hathurusinghe et al., 2012). Along with this economic policy agenda, the authoritarian Jayawardena regime smashed the trade unions and repressed the Tamil minority.

The Tamil political leadership demanding federalism and subsequently armed militants calling for separatism were centred in Jaffna, even as they sought to represent the North and East of the country where the Tamil ethnic minority
constituted the majority of the population. While the impact of the 26-year-long war on life and livelihoods has been documented, its impact on agricultural markets in Northern Sri Lanka has received less attention (Dharmaratne, 2014; Hoole, 2001; Hoole et al., 1990; Kadirgamar, 2017). The agrarian dynamics of the post-war North have had to contend with both the destruction and demographic changes brought about by the war, as well as the problems of integrating a debilitated rural economy into national and global markets from which it was isolated for decades. This case analyses the relationship between the longue durée of accumulation, dispossession and reconstruction in Northern Sri Lanka and the possibilities of securing farming households’ social reproduction through a nascent co-operative alternative.

During the colonial period and after, agriculture in the North, was centred on the highly populated Jaffna peninsula with its rigid caste structure. The dominant Vellala caste consisting of landowning smallholders was also the numerical majority in Jaffna, and for centuries had been involved in cash crop cultivation including tobacco, and they exploited the oppressed castes as bonded or wage labour. It was with intensifying land pressure in the 1950s and 1960s that colonization schemes for agriculture developed south of the peninsula in the mainland region called the Vanni, and such social changes coincided with major anti-caste struggles in the late 1960s ending untouchability in Jaffna.

The economic landscape of the North, as with the rest of the country during its early postcolonial decades, was shaped by social welfare policies that determined the state’s engagement with agrarian markets. During Sri Lanka’s import substitution era from 1956 to 1977, rural households in the North began to accumulate significantly due to import substitution policies, with crops such as red onions and chillies that were particularly profitable (Abeysekera, 1985). The Northern smallholders were also strengthened by the vibrant co-operative movement that rapidly grew during the middle of the twentieth century. The state also used the co-operatives to support farmers through the provision of credit and inputs, as well as to distribute food subsidies and rations to the public. These state-supported co-operative initiatives balanced the power of the private traders during the import substitution years.

However, the civil war severely disrupted agricultural production in the region and the co-operatives were debilitated by the destruction and plundering of their assets. The demographics of farming in the region were changed by a number of factors, including mass displacement due to military operations, the exodus of farmers to join the Tamil diaspora in the West and the outflow of wage labouring households as refugees to India. Agricultural production declined, farmers focused on subsistence and the population became dependent on humanitarian relief and subsidies for their social reproduction.

**Failure of Rural Reconstruction: Agricultural Markets in the Post-War Economy**

When the long war ended in May 2009, farmers in the North were suddenly integrated into a liberalized national market and globalized economy, with little
support and without any credible vision for agrarian reconstruction of the North. The state’s neglect of agriculture and rural livelihoods was symptomatic of its post-war development plans centred on building infrastructure, including roads and buildings, and greatly expanding credit first at subsidised rates through banks, and eventually high interest charging finance companies (Kadirgamar, 2017).

Smallholding farming in the North underwent significant demographic changes during the war and its aftermath. The more affluent farmers had left the country during the war. Communities that formed the bulk of rural wage labour before the war, often from oppressed castes, saw an opportunity to rent land for cultivation, but lacked capital for investment and access to markets. When these farmers displaced by war—including the large number of women-led households—returned, they were left to revive their livelihoods with mere access to subsidised credit for a few seasons, without any compensation for their war-time losses nor grant assistance needed to resume agriculture.

The farmers after the war faced significant challenges of competing in agricultural markets, as produce from Southern Sri Lanka and imports entered the Northern. The farmers had to change their agricultural practices, particularly with respect to inputs including by accessing high-yielding imported hybrid seeds and chemical fertilizers not available during the war. In other words, the farmers had to engage input and output markets, which had drastically changed during the decades of war-time isolation, where increased agricultural imports due to the liberalization of trade determined market prices. Furthermore, the farmers claim new challenges and risks have emerged due to frequent droughts and floods caused by climate change.

The war-time market in the North was characterized by lower volatility with a focus on local provisioning and smaller volumes of production with higher margins. After the war, the Northern farmers, and for that matter even the local traders that had been involved in trading for decades, faced severe challenges integrating with the liberalized national agricultural markets. However, the traders from the South of the country, during the market liberalization decades that paralleled the war, had become used to markets characterized by high volatility in market prices and marketing practices focused on larger turnovers with smaller margins. The large rice millers in the South have an oligopolistic character; their convoys of trucks purchase paddy on the side of the paddy fields itself during harvest time, and in the process determine the price of paddy. Next, the larger vegetable traders could be characterized as micro-monopolistic as they divide up the villages where they collect and transport vegetables to the Dambulla Economic Centre. These traders also lock the farmers by providing inputs, particularly seeds and fertilizers.

In this context, the very small farmers in the North—whose production is inadequate for collection—not capable of marketing their produce to Dambulla are dependent on traders in the local markets. Such local traders set prices that are very low in addition to insisting that 10% of the produce would be considered waste and not remunerated. Therefore, the Northern farmers remain price takers at the mercy of local traders and transport agents to Dambulla.

State and donor initiatives for agriculture in the North often focused on export-oriented value chains, which pushed farmers into mono-cropping of cash crops.
Certain varieties of groundnuts, papaya, passion fruit, murunga, aloe vera, and so on were promoted, based on their export possibilities. Some international non-governmental organizations supported the creation or expansion of private sector companies—including through large subsidies to the private sector—to collect such exportable produce from farmers, without considering the challenges facing economically fragile farming communities coming out of the war. Many of these experiments ended disastrously for farmers, as fluctuations in export markets and crop diseases erased their incomes and left them indebted.

In this way, the failure of reconstruction to revive livelihoods became evident within a few years after the war. Amidst these bitter lessons after the war, the farmers on their own have begun to diversify their production into a variety of crops, and even variations of the same rice crop, to ensure income streams. Furthermore, due to challenges of relying solely on agricultural incomes, their family members have sought other avenues of income such as migrant work in construction and services to stabilize their household finances. Finally, a decade after the war, a slow pace of accumulation has stabilized some of the farmers; building a well and purchasing water pumps, the benefits of rural electrification, the produce from perennial crops such as coconuts and non-agricultural income streams have strengthened their capacities for social reproduction.

**Reviving Co-operatives and Confronting Capital in Times of Crisis**

Historically, from their inception a century ago in the 1910s, the Northern co-operatives confronted finance and commercial capital, with banks unwilling to lend to small farmers and traders lending at usurious interest rates. With the growth of the movement in the 1930s, co-operatives became involved in agricultural marketing of primary produce. And then in the 1940s, in the context of the Second World War and rationing of essential goods, co-operatives also became involved in consumer markets. Furthermore, small industries under co-operatives were initiated in the 1970s, when import substitution with state corporations dominated the economy (Kurukulasuriya, 1971; Paramothayan, 1990).

After the end of the war in 2009, the state and major donor agencies’ vision for reconstruction prioritized the private sector and disregarded any role for the co-operatives. It was with rising attention to rural livelihoods in disarray and high levels of regional poverty that some local intellectuals and the co-operative movement began advocating the possibility of utilizing the debilitated but vast infrastructure of co-operatives for rural reconstruction, and countered the failed private sector driven rural and agricultural development model promoted by the state and donors after the war (CBSL, 2018; Kadigamar, 2017). The government that came to power in 2015 with a mandate for reconciliation, and following the change of the Minister of Finance in 2017, put forward a budget for 2018 that under a section titled reconciliation included many rural development initiatives for the North. Co-operatives were seen, in this context, as public institutions that could be supported with grant assistance from the state.

Initially, in response to mounting struggles against indebtedness by women’s groups, credit co-operatives were put forward as an alternative to predatory
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microfinance schemes. In 2018, the Treasury injected Rs. 292 million into the Northern credit co-operatives, which was matched by co-operative funds of Rs. 142 million (Kadirgamar & Kadirgamar, 2019). Another initiative, implemented in 2018 and 2019, was to build 50 small co-operative industries with a state grant of Rs. 500 million, mainly focused on agricultural industries for value addition. Building on these initiatives, the Northern Provincial Council in 2019 supported the formation of the Northern Co-operative Development Bank (NCDB), a federation of the 1,200 active co-operatives in the Northern Province, to provide direction and develop the co-operative sector.

With the onset of the pandemic, an economic crisis long in the making has been aggravated with the collapse of the tourism sector, reduction of remittances and disruption of exports. Serious balance of payments problems, including large sovereign debt due for repayment and worries of foreign loan default, have placed considerable constraints on trade. This crisis has also disrupted agriculture and the food system, even as those who lost income streams in other sectors turned to agriculture. With shortages and price hikes in some foods, small farmers have begun placing more importance on production for subsistence and local provisioning.

In this context, the co-operative movement in the Northern Province got an additional boost by distributing essential items during the lockdown. More significantly, it is attempting to intervene in the crisis by creating new models for agrarian engagement that revive its historically strong relationship with farmers. NCDB, working with the broader co-operative movement, recognized the impending constraints on imports and came up with a co-operative strategy for agriculture.

Drawing on the advances made with the credit co-operatives mobilized to address indebtedness, an agricultural loan scheme has been introduced to reach small farmers who are not considered creditworthy by commercial banks. This scheme attempts to incentivise the production of pulses and grains, which are less labour intensive and conducive for small farmers, including women farmers, as well as important for nutritional intake and food security. While the interventions of credit co-operatives have challenged microfinance companies, the expansion of co-operative banking for agriculture is of another order.

In March 2021, the President announced a sudden and outright ban on the import of chemical fertilizers and pesticides. Given the likely crisis that can emerge for agricultural production, compost producing plants of Multi-Purpose Co-operative Societies formed a few years ago have gained importance. While organic compost production cannot solve the imminent fertiliser crisis, it has nevertheless created interest among farmers. Even as private companies and state agencies seek to rapidly capture the newly emerging market in organic compost including through the use of municipal solid waste, it remains unclear if the cooperatives will be able to hold their own little market.

Sri Lanka is only 35% self-sufficient in milk foods, with the rest imported mainly in the form of milk powder (Ministry of Finance, 2021). Given the rising price of milk in the global market, the devaluation of the Sri Lankan Rupee and the slowing down of milk food imports due to the foreign exchange crisis, shortages and price increases of milk foods are a serious concern. Dairy co-operatives have attempted a drive to supply fresh milk to urban areas and are now working
on the distribution of value-added milk products such as pasteurized milk. In the absence of a local dairy co-operative strategy, the large dairy companies from the South may divert the milk produced in the North to higher value markets, undermining local nutritional intake. The industrial capital involved in the dairy sector has over the last decade been ruthless in undermining co-operatives and weaning away small dairy producers by creating collection centres that are run on commissions and aggressive price changes.

One of the most important initiatives by the co-operative movement has been the creation of agricultural collection centres to collect and market vegetables, as well as to distribute vegetables in urban Jaffna and the islands off the Jaffna peninsula where there is little production of vegetables. Such initiatives have strengthened co-operatives’ capacity to supply vegetables to pandemic hit communities under lockdown and to quarantine centres. The re-entry of co-operatives into agricultural marketing, if developed to capacity, could prove a challenge to various actors who exploit farmers. Local traders who refuse to pay for 10% of the produce claiming it as waste, transport traders who impose arbitrary prices when taking produce to the Dambulla Economic Centre and for that matter the supermarket chains that collect vegetables but only limited amounts and often graded produce that meets their needs, have all alienated farmers (Kodithuwakku & Weerahewa, 2014).

**Possibilities of a Co-operative Alternative**

The co-operative initiatives mentioned above, even though they are a long way from addressing the needs of farmers including the scale of services necessary, have provided considerable learning about agricultural marketing. Significantly, the strong linkage between input and output markets have become clear, and any alternative to bypass extraction in markets should consider both in conjunction. Steady supply and reasonably priced inputs are necessary to compete in output markets, and accumulation from marketing of produce are necessary to stabilize and increase scale of production. In this context, the ban on chemical fertilizers and pesticides, and the shortage of hybrid seeds, have brought considerable uncertainties to input markets as the balance of payment crisis and the shortage of foreign exchange affects imports across the board. However, there is now the complete halt to many food imports that are locally produced, removing one great source of fluctuations in output markets.

At a time when the state lacks a sustainable vision to bring the agricultural sector out of the crisis, the co-operatives have the potential to provide inputs to farmers, enhance production and purchase produce, while also linking them to consumer markets. Co-operatives providing credit and supplying organic compost to farmers, as well as marketing milk and vegetables, are examples of initiatives that have to be expanded. Indeed, given the escalating agrarian crisis, unless smallholders and the co-operatives respond by shifting the terms of engagement with agricultural markets, large agri-business companies will be able to take advantage of the crisis to capture agricultural markets. The outlook of the
government is also favourable to such large companies, as production and scale to meet the food needs of the population are its main priorities rather than the welfare of the small scale producers.

Despite the local co-operatives, the small farmers are unable to deal with the market risks and lack marketing infrastructure necessary for a decent income. Here, the vision of co-operatives proposed by Chayanov and expounded by Shanin (1973, 1974) for a different context—amidst debates about horizontal collectivization of farms versus ‘vertical integration’ of farmers through co-operatives during the first decade after the Russian revolution—is relevant for the small-holding agrarian landscape of Northern Sri Lanka. The agricultural co-operatives at the regional and village level need the support of provincial co-operative federations. The co-operative alternative in supporting agricultural production and marketing with ‘vertical integration’ has to address a range of risks and challenges facing farmers, including turbulent markets under liberalization and the unpredictable ecological challenges that have emerged with climate change-related disruptions to agriculture.

In other words, co-operative federations have to absorb the losses in production and continue to supply inputs including credit, to keep the farmers from coming under the control of exploitative actors such as local traders and money-lenders. Furthermore, co-operative federations have to absorb the risks and losses that are characteristic of volatile markets, and ensure the farmers are provided a steady income. In this way, co-operative federations have to confront and compete with private agents at higher scales of marketing in order to build a sustainable alternative in agricultural marketing.

The co-operative alternative needs to emerge as an autonomous movement with little support from the state, even as it finds ways of confronting capital. The co-operatives that suffered tremendous loss of assets during the war needed capital investment by the state and donors to restore their operations. However, continued dependency on the state can also lead to state capture, along with problems that arise due to the collusion of the state with capital. Next, as with the current moment when a majoritarian government takes forward chauvinist policies, and avoids consultation in the North populated by the Tamil minority, the work of co-operatives could also be undermined. The co-operative movement thus faces an immense challenge of playing multiple roles—providing credit and inputs for agricultural production, purchasing and marketing produce including through consumer co-operatives and, where possible, involvement in value addition through agricultural industries to gain greater value for the agricultural produce. This work of co-operatives have to be tied to reviving rural accumulation and ensuring the social reproduction of its constituencies.

The success of the co-operative alternative, beyond the economic rationale for it, is also dependent on changes in the post-war social structure and political outlook of the North. The leadership of the co-operatives for decades has been with the smallholder landowning Vellala caste, but the greying of a generation of such leaders and the possible entry of youth into the movement raises questions about the future leadership. Those most likely to gain from the co-operative
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initiatives are also non-Vellala and oppressed caste communities, who are the constituency seeking co-operative services, including those involved in livelihoods such as fishing and toddy tapping. Furthermore, women are increasingly involved in farming and also leading other economic activities; women now serve as co-operative general managers and employees. Historically, crises have brought about tremendous changes within social institutions and movements, and the realization of the co-operative alternative may well depend on the social changes within the co-operative movement.

V. Speculating on the Future of Agrarian Markets in South Asia

State responses to the COVID-19 pandemic and its rural impacts highlight that agricultural liberalization remains firmly on the policy agenda across South Asia. However, national agrarian contexts are also shaped by a range of factors, including balance of payment concerns, interventions by development agencies and International Financial Institutions, relations with other countries, internal class dynamics and rural politics. The two case studies presented in this article—of the PKI and the co-operative movement in Northern Sri Lanka—highlight the diverse broad trajectories of agricultural liberalization that emerge as a result, as well as the varied ways in which farmers experience and contest their exploitation by private agrarian markets.

The PKI’s emergence in a context of negative agricultural growth in central Pakistan, highlights how changing agrarian markets have given rise to mass-based, cross-class political contestations rooted in simultaneous crises of reproduction and accumulation in the countryside. In Northern Sri Lanka, co-operatives could prove crucial in small farmers’ efforts to respond to the uneven integration of the region in national and transnational markets after decades of war. In diverse ways, both of these mobilizations seek to contest the flow of agrarian surplus in liberalized agrarian markets, which increasingly prioritize the interests of private intermediaries and large corporates over farmers. At the same time, they provide important insights into the context-specific and co-constituted dynamics of broader agricultural liberalization processes and political responses to them.

The spectrum of rural politics in South Asia is diverse, and includes many such attempts to build new production and exchange relations in the South Asian countryside. Movements such as the Pakistan Kissan Mazdoor Tehreek, Karnataka State Farmers Association (KRRS) in India and Movement for Agrarian and Land Reform (MONLAR) in Sri Lanka are only some of the key reference points for ongoing attempts to transform agrarian markets from the ground up. In doing so, these mobilizations provide important voices which contest a development paradigm that privileges commercial, industrial and finance capital, and seeks to open up of agricultural markets for international trade and agribusiness.

The cases presented in this article, as well as the broader landscape of rural movements in South Asia, also highlight that agricultural liberalization remains a
key site of struggle between the state, capital and rural producers. In diverse ways, farmers and their movements across the region have increasingly pushed to renegotiate their relationship with the state. The alternative visions they are putting forward have generally advocated for enhancing state support for agriculture and a revaluation of their socio-political status. At the same time, such appeals come with an ever-present threat of state capture and co-option, one which progressive segments of these movements are strongly conscious and aware of.

This brings us to our final set of reflections: Can there be a different future for agrarian markets in South Asia, where liberalization and subordination of farmers to other private actors is not inevitable? In a context where different forms of capital in the rural world continue to challenge and contest each other, political and economic compulsions, national concerns around food security and protests have all worked to stem the tide of the wide range of changes in agrarian markets that fall under the umbrella of liberalization. One South Asian state, Nepal, has adopted the principles of food sovereignty, even if it continues to show a limited imagination of what it could mean in terms of real transformation on the ground. Even if compelled by Sri Lanka’s trade deficit, the shift towards import substitution in agriculture is showing what is possible in contexts where market liberalization does not work. In India and Pakistan, strong farmers movements have hindered the liberalization of particular aspects of agricultural markets.

It is increasingly clear that agricultural markets in South Asia, as they are and as they are being imagined by the state and capital, are predicated on the intensifying exploitation of farmers. In this context, it remains important to pay close attention to rural struggles, whether through mass-based political movements or more targeted interventions, that seek to reimagine and transform how farmers engage with markets. The future remains very much fertile with possibilities and this is the time to engage alternatives.

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Appendix

**Table A1.** Household Income Expenditure and Food Security, 2008–2009 (Food Security on <2 ha Farms in Surplus Wheat Growing Areas; Estimated Averages)

<table>
<thead>
<tr>
<th>Zone</th>
<th>Net Income (Wheat + Livestock) ₹/$</th>
<th>Total Expenditure (Food + Non-food) ₹/$</th>
<th>Deficit Amount (₹/$)</th>
<th>Food Share in Total Expenditure (%)</th>
<th>When Wheat Would Be Bought Again</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rice-wheat</td>
<td>46,898/586</td>
<td>78,304/979</td>
<td>(−)31,406/393</td>
<td>68%</td>
<td>September</td>
</tr>
<tr>
<td>Cotton-wheat</td>
<td>57,688/721</td>
<td>63,530/794</td>
<td>(−)5,841/73</td>
<td>72%</td>
<td>November</td>
</tr>
<tr>
<td>Mix-zone</td>
<td>53,022/663</td>
<td>6,220/78</td>
<td>(−)9,418/118</td>
<td>78%</td>
<td>October</td>
</tr>
<tr>
<td>Sindh</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rice-wheat</td>
<td>50,770/635</td>
<td>81,660/1021</td>
<td>(−)30,890/386</td>
<td>87%</td>
<td>August</td>
</tr>
<tr>
<td>Coon-wheat</td>
<td>115,195/1440</td>
<td>121,664/1521</td>
<td>(−)6,469/81</td>
<td>66%</td>
<td>November</td>
</tr>
<tr>
<td>Mix-Zone</td>
<td>128,995/1612</td>
<td>161,140/2014</td>
<td>(−)32,145/402</td>
<td>61%</td>
<td>October</td>
</tr>
</tbody>
</table>

**Source:** Pakistan Agricultural Research Council (2009); Altaf (2010).

**Notes**

1. Ethnographic research for this case study was conducted by one of the authors between December 2018 and May 2019 in the Sahiwal division. During this period, the author attended meetings of the PKI, as well as conducting interviews with its leaders and members.

2. This research draws on the work of one of the authors on co-operatives, including his dissertation research from 2012 to 2014, in his capacity as a member of the Jaffna District Co-operative Council Advisory Group from 2015 to 2018, and then Chairman of the Northern Co-operative Development Bank from 2019 to present. The research on agricultural marketing and co-operatives was initiated in April 2020 as part of developing the Co-operative Agricultural Transformation Strategy of the NCDB, including its project to implement two agricultural collection centres. The contribution of colleagues at NCDB, towards what could be considered action research, and the related co-operative initiatives are acknowledged.


5. The Agricultural Prices Commission proposes the support price for four crops: wheat, cotton, rice and sugarcane. Since devolution in 2010, the support price for sugarcane is decided at a provincial level. The Pakistan government only operationalizes the support price for wheat through direct buying. There is little to no enforcement of support prices for the other three crops. For data on support prices, see: [http://www.amis.pk/Agristatistics/SupportPrice/Default.aspx](http://www.amis.pk/Agristatistics/SupportPrice/Default.aspx)

6. Four crops, wheat, cotton, rice and sugarcane, account for two-thirds of total cropped area and one-third of agricultural GDP. For more details on the specific protection...
measures for each of them and how these have changed over time, see Dorosh and Salam (2007).

7. According to the Agricultural Census of Pakistan (2010), 67% of farm holdings across the country are under 5 acres. The figure comes to around 60% for Punjab (Agricultural Census of Pakistan, 2010).

8. During interviews, small farmers identified disease as a major reason to stop growing cotton. The cotton crop in Pakistan suffered from consistent cycles of disease, in particular, the cotton leaf curl virus, from 1992 to 1993. The unofficial adoption of genetically modified BT cotton seeds has not been able to combat these (Nawaz et al., 2019).

9. The markets for the two traditional cash crops, cotton and sugarcane, are highly controlled by their processing industries. The sugarcane market, in particular, has attracted yearly protests from farmers and a range of government policy actions over the last decade. In 2018, the federal government attempted to scrap the support price for sugarcane, before restoring it due to farmer pressure. More significantly, it passed an ordinance in October 2020 that required sugar mills to pay farmers within 15 days of collecting their crop. Even though enforcement was non-existent, this has been replaced with a new regulation, the Sugar Factories (Control) (Amendment) Act 2021, which allows mills 210 days to pay sugarcane growers (DAWN, 2021).


11. According to the Agricultural Census of Pakistan (2010) (table 13.1), only 4% of farmers in Pakistan own over 12.5 acres of land, with the percentage slightly higher at 8% for Punjab. While the exact numbers are not available, large commercial farmers constitute a subset of this number, being different from traditional large landowners as well as corporate farmers. Moreover, the census data does not accurately capture landholding size, which often involves significant amounts of leased land. Indicative data from the census (table 1.2) shows 11% of cultivated land in Pakistan and Punjab is farmed by tenants, with 44% of tenant cultivated land in Pakistan being over 12.5 acres, with the percentage increasing in Punjab to 64%. The data also indicates that 25% of leased landholdings in Punjab are over 150 acres each, which is a fairly big departure from the other three provinces and the national average of 9% (Agricultural Census of Pakistan, 2010).

12. See Table A1 on the incomes and expenditures of small farmers in Punjab and Sindh.

13. During the price crash during the 2018 potato harvest, small farmers in the Pakpattan district told during a focus group that they considered a number of options: putting their harvest in cold storage at Rs. 400 per bag, transporting their harvest to the Karachi market where the price was rumoured to be higher, sell at a loss in the local market or destroy their fields. Most of them chose the last two options.

14. Agricultural trade between India and Pakistan was estimated at around $500 million in 2014 (Khan & Hussain, 2014).

15. Agricultural Marketing Committees operate under the Punjab Agricultural Produce Markets Ordinance 1978. Half the membership of AMCs is supposed to be growers. They are supposed to regulate the operation of agricultural markets—this includes ensuring that crops are purchased through open bidding. However, ‘these markets grew into a maze that they could only negotiate with the help of a series of middlemen, each of whom would keep his pound of flesh’ (Rana, 2018, p. 4). It is interesting that a draft law in 2010, framed with the help of USAID, sought to abolish AMCs and replace them with an Agricultural Produce Marketing Board, with the aim of converting them into companies, but did not become law (Rana, 2018).

16. Sri Lanka as a whole is characterized by smallholding agriculture, with average size of agricultural landholding of 2 acres. Furthermore, out of Sri Lanka’s population of 21.2 million, 8.1 million were considered to be from agricultural households in 2016.
And in these agricultural households, 32% of the adult members spend their time in agriculture, with the rest involved in non-agricultural or household work (Agricultural Household Survey 2016/17, 2019).

17. The Dambulla Economic Centre, geographically located at the centre of the country, emerged in the late 1990s, and is the market where the largest amount of vegetables are traded as both farmers and traders that take produce there to be then moved to the various urban markets around the country. Prices of vegetables in the country are determined by Dambulla. Furthermore, market prices in the regions depend on their access to Dambulla (Hathurusinghe et al., 2012).

18. These practices of traders, both for vegetables and paddy, became evident from focus group discussions with farmers in Atcheuvely, Velani, Kilinochchi and Nedunkerny between June and September 2020.

19. A farmer claimed due to varying resilience of rice varieties towards lack or increase in rain and crop diseases, he combines rice varieties such as BG-501 with local varieties such as Mottakaruppan and Attakari in the 6-acre plot that he cultivates. Interview with farmer Mr. Emanuvel in Karamban, Velanai on 23 July 2020.

20. There are 110 Co-operative Rural Banks in the North providing services to people in the hinterlands, and there are over 500 active village-level Thrift and Credit Co-operative Societies, which provide revolving loans particularly to women, including those involved in farming. Next, over 450 co-operative outlets in the North form in effect a co-operatives market that could be expanded. There are also a range of co-operative small industries, including rice mills with very low capacity utilization.

21. Minister of Finance Mangala Samaraweera took a keen interest in addressing both the indebtedness crisis and broader the social and economic predicament of the war-torn population (Samaraweera, 2017).

22. Even though the government claims it is banning chemical fertilisers due to environmental reasons, the sudden ban could be due to the dwindling foreign exchange reserves, where fertilizer imports cost US$ 259 in 2020 (Ministry of Finance, 2021). There continues to be an important debate and considerable criticism of the government decision to ban chemical fertilizers as it could greatly reduce agricultural yields.

23. The co-operative organic compost plants initiated in the North particularly in Karainagar, Velanai and Karachi South have capacity to produce about 500 MT per year, perhaps enough only to support about 500 farmers each with a 2-acre plot. However, these pilot projects may emerge as an important model of rural organic composting utilizing local resources including animal manure. Furthermore, there are concerns about the toxic character of municipal solid waste composting used by larger entities (Dandeniya & Caucci, 2020).

24. Chayanov in formulating the concept of vertical integration advocates for the capacity and necessity of co-operative federations to compete in national and international agricultural markets (Chayanov, 1991).

**References**


