CHAPTER – 1

A Survey of the Theoretical Literature:
Peasantry, Production Surplus and Agricultural Marketing
In the present study, the Chayanovian and Marxist conceptions of the differentiation among peasantry are elaborated, and these are compared to emphasize the existence of analytically separated economic classes among peasantry, and the specificity of agricultural production and problems of measurement of economic surplus are also surveyed. The theories of human mediating agencies and the specialized locations in agricultural marketing of crops are described in the present chapter to highlight the crucial role performed by specialization in the circulation sphere. The chapter deals with the conceptual literature on peasantry, agricultural production and economic surplus, and the marketing of agricultural commodities. The literature survey is divided into three sections, which are further divided into subsections. In the first section, the concept and internal homogeneity or otherwise among the peasantry are discussed. The concept of agricultural output, differentiation in production conditions and economic surplus and marketed surplus are dealt with in the second section. In the third section of the chapter, the theoretical framework of exchange-specialization in the agricultural marketing is elaborated in an interdisciplinary framework. A concluding summary is added at the end to weave the themes together: the centrality of the phenomena of the economic differentiation among peasantry, the multiplicity of technology adoption and economic surplus generation in agricultural production, and the continuing survival of merchant-agents and central informal places and networks of commodity marketing in the countryside.

1.1. Peasantry

In common parlance, a peasant is simply a tiller of the soil. A peasant is alternatively designated as a ‘cultivator’ and a ‘farmer’. In the Marxist discourse, a peasant is either an agrarian petty commodity producer, or a feudal or semi-feudal tenant in the countryside. In Marxist conception, there is always an emphasis on the economic class locations and political orientation of peasantry. The landlord as well as landless labourer is different from peasantry with respect to both economic class location and political orientation. The landlords and landless labourers are therefore excluded from the category of ‘peasantry’. In the Marxist analysis, there exists heterogeneity among
peasantry. The mass of peasantry is not a frozen category of social actors in the economic realm. It is posited to be undergoing a process of economic differentiation under commodity exchange and crystallizing over time into social classes with differing economic characteristics and interests. There is ultimately polarization of peasantries into the two antagonistic classes of capitalist and wageworkers under the mature agrarian capitalism. It is only in a feudal framework of agrarian economy that there exists the homogeneous class of ‘serf’ peasantry. Theoretical and logical implication is simply that the existence of a relatively homogeneous peasantry is predicated upon the underdevelopment and traditional economy (Marx, 1971, pp.804-13). As exchange relations develop the homogeneity of peasantry is undermined, and this is aided by “primitive accumulation” process, which divorce the small producers from the land, and lead to the formation of wage-paid workers. In these long-drawn out historical process, the independent peasantry struggles for its survival, while the dispossessed peasants are integrated into a wage system. In the Marxist analysis, it is by virtue of the ownership over the means of production and subsistence that the capitalist and rich peasantry hires the labour of not only property-less wage labourers but also poor and small peasants. The express objective behind the hiring of labour is always the appropriation of surplus labour in production (Lenin, 1920; Mao-Zedong, 1926, 1933; Kritsman, 1984; Patnaik, 1976, 1988, 1994; Byres, 1980, 1994). Politically, for developing the strategy of socialist revolution, the analysis of differentiated peasantry and its relation to landlord and wage labourers is considered to be crucial in ongoing change and transformation in the society and economy. In short, the peasantry in the Marxist analytical discourse constitutes a heterogeneous structure of economic actors and agents in the countryside, which is constantly evolving and developing towards the economic classes of a capitalist economy.

In contrasting and parallel framework, there is a long-lived tradition of conceptualizing the category of peasantry in the non-Marxist perspective as well. In the discipline of anthropology, the term ‘peasant’ was used with the linguistic meaning of ‘rustics’ in the 1930s. The peasants were defined to be those ‘who work on the land’, and thereby, who are ‘rustics’ (Silverman, 1979, p.49). The growth of ‘economic’
anthropology improved the status of peasantry in the 1960s. A peasant was therefore defined to comprise of principally the 'small agricultural producers', who worked on the farm with the help of family labour and 'simple equipment'. The land-holding owner-cultivator and tenant-farmer were both grouped as peasant, and they were consequently treated as a homogeneous category in the received wisdom of anthropology. In a broader conception of peasantry, the landless labourers were also included, and even the 'agro-social categories that were composed either of non-peasants or of peasants who differed significantly from those who employed them' were equally clubbed with the category of peasantry (Mintz, 1973, p.102). According to Dalton (1972), this has been the agreed understanding in anthropology. It is therefore crucial in anthropological and sociological conception to emphasize that the peasantries are homogeneous group of social actors bound by a common culture, and that they have always been variously exploited by non-peasant sections of the society. They necessarily produce to satisfy their 'own consumption' needs on the one hand, and to fulfill the 'obligations to the holders of political and economic power' on the other (Shanin, 1966, p.240). The concrete observation that a peasant may not be able to produce a surplus at all is skirted away in this tradition.

In the culturist preoccupation about peasantry, which is in contrast to the Marxist perspective, there are in short three notable aspects involved. One, there are controversies in anthropology on defining and developing typologies of peasantry (Silverman, 1979; Mintz, 1973; Wolf, 1969; Wolf, 1971). Second, there is a plethora of descriptions about the so-called distinct categories of a relatively homogeneous moral, middle, and rational peasant actor (Kroeber, 1923; Scott, 1976; Bailey, 1966; Wolf, 1971; Popkins, 1979; Bardhan, 1989). Lastly, there is an obsession with the thesis of universal existence of peasantry even in the modern world in the mainstream non-Marxist literature (Thorner, 1965; Thorner, 1966; Shanin, 1966; Shanin, 1973; Shanin, 1980). All these have led to the evolution of a discipline of 'peasant study' proper from the gamut of culturist preoccupations of anthropology and sociology in the course of time, and to which the neo-classical models of peasant homogeneity and peasant equilibrium have been added later on, and these have continuing implications on theorization of the dynamics among
peasantry. In the non-Marxist literature, there are not only unrealistic presuppositions about the survival of an economically homogeneous peasantry but also a preoccupation to conceptualize peasantry in an essentially culturist and subjective utility framework of analysis. The culture is posited to be an autonomous force among peasantry, and the subjective utility calculus is given the status par excellence, which supposedly imparts peasantry with a capacity to survive the onslaught of forces of wider macro-economy. The concrete history is however, at variance with such preoccupations and presuppositions, which have not allowed peasantry with a capacity to survive the onslaught of agrarian capitalism in the countryside.

Peasant Stratification and Differentiation

Peasantry does not form an analytical category. The peasantry under capitalism is not a homogenous mass of rural people. There are economic classes within peasantry. The economic differentiation among peasantry is always non-circular and irreversible one. The peasant class structure of capitalist relations in its pure, neat and ideal form, according to Kritsman (1984), emerges however only after a long time. In the initial stage, the phenomenal legal forms of relations are generally at odds with the true economic relationships. It is possible to distinguish between the statics and dynamics of class stratification among peasantry. The statics is concerned with the categorization of individual farms into the capitalist, middle and proletarian farms, but the dynamics of peasant class stratification addresses the issue of determinants of the process of differentiation among peasantry (Cox, 1984, p.85). The dynamic conception of differentiation among peasantry has been developed in the Marxist theoretical framework on the insight developed by Karl Marx (1971) and further improvements by Vladimir Lenin (1899), Karl Kautsky (1899), and Mao Zedong (1926, 1933). Vladimir Lenin (1899) in the last quarter of nineteenth century, the Agrarian Marxists in Russia in the 1920s and Mao-Zedong (1926, 1933) in China were the first generation of analysts, who pioneered the attempt to identify rather empirically the characteristics of economic classes within peasantry. Patnaik (1976) in India has prepared the labour-exploitation index, and used it as the criteria to determine the economic classes among peasantry. The
index was extended and modified in 1987, was again briefly summarized in 1988, and a comparison with Lenin's and Mao's classification of peasantry was produced in 1994. The basic work of 1976 has remained intact throughout, however. It is in the nature of summarizing objectively all the developments within the Marxist theory on dynamics among peasantry. Roemer (1982) has been a great inspiration for those Marxist scholars, who are involved in the works of delineation of economic class categories. Pranab Bardhan (1984) and Amiya Bagchi (1982) have also significantly contributed to the literature on the classification of peasantry in India.

In the Marxist analysis, there are multiple criteria, which are used at the empirical level to classify the cultivating households with a view to approximate the class positions among peasantry. These criteria are: (1) resource endowment, (2) nature of labour use, and (3) retained surplus above subsistence needs. These are not mutually exclusive and independent criteria but rather associated, and therefore a vector of all these criteria is often used to classify peasant household into analytically distinct classes. In the Marxist tradition, it is essential to use the labour-use index as additional criterion, since the unpaid surplus labour is appropriated both through hiring-in of labour and leasing-out of land in the sphere of production (Patnaik, 1988, pp.304-5). The concentration of land ownership and possession on the big farm units contributes undoubtedly to the differentiation among peasantry. The economies of scale in the use of means of production, animals of traction, labour specialization, the use of agronomists, agricultural specialists, engineers, and the advantages in obtaining credit and rural marketing are but additional catalyst factors, which contributes in intensifying the ongoing process of the differentiation among peasantry (Kautsky, 1899). It is argued by the Agrarian Marxists that it is not always adequate to treat the sown area as an overall indicator of stratification among the peasant households because it fails to distinguish between the farms with adequate distribution and farms with excess distribution of the means of production. The differentiation of peasantry needs not proceed solely on the basis of how much land is available for cultivation by a household. It may also deepen on the basis of ownership of scarce working animals and farm stock, since the farms with the same sown areas would have different potentials for accumulating capital. According to Kritsman (1984), a
widespread form of exploitation involves the hiring-out of working animals and stocks in such a way that the hidden capitalist may appear in the guise of a worker, working on another's farm with his own animals and stock. The rural proletarian in such a situation may appear in the guise of an owner, who is without working animals and stocks but hiring the owner of these necessary means of production (Cox, 1984, p.13). It is thus contended that the most direct pointer of economic class relations among peasantry in the framework of capitalist agriculture is the hire and sale of labour power. It is relatively more true and realistic indicator in the context of a well-developed and mature capitalist agriculture.

An economic class perspective emerges among the seemingly homogeneous mass of peasants in the course of time, and the differentiating forces and processes unfailingly create a wedge between the affluent and poor peasantry. In between the rich and small peasant is posited the middle peasant households, who are found to be vulnerable enough to be most affected by the usury and commercial exploitation (Banaji, 1976, p. 43). A peasant may largely remain the petit-bourgeoisie in the transition stage; since the peasant economic differentiation is quite often fluid and complex contradictory tendencies coexist and reside side by side. In the course of time, the dominant structure however undermines the weaker ones. It is therefore warned that the precautions must be observed on three counts at least: one, the hiring-in and -out activities on part of the wage-worker appears sometimes in covert form. It may show as fictitious family relationships serving as a screen. Second, the usury and trading capital in the interlinked form may appear to be in the guise of the means of production, and thirdly, the state may force the poor peasants to the effect of compelling them to bring the labour power on to the market. These caveats require a cautioned research into the dynamics of the differentiation among peasantry (Cox, 1984, pp.139-41).

In the Marxist works on nineteenth century Russia, it was found that the traditional Russia of subsistence economy peasants and handicraft workers had already been permeated with commercial and capitalist relations (Nove, 1979, pp.65-66). The migration of labour was a significant factor catalyzing the pace of already ongoing
economic differentiation. A process of de-peasantization was identifiable but the ongoing economic differentiation among peasantry was not a smooth, uninterrupted process in the countryside. The independent development of merchants and usurers capital was discovered to be playing the reactionary role of retarding factors in the process of agrarian capitalism. The survival of corvee economy and free labour-service was also retarding the phenomenon of differentiation of peasantry in Russia (Lenin, 1982, pp.134-7). Three principal socio-economic strata were nonetheless identifiable among Russian peasantry in the countryside, and these were the capitalist farmer, middle peasantry and rural proletariat. The strata of capitalist farmer were formed from amongst the ranks of well-to-do peasants who carried on the business of commercial agriculture combined with those in the rural industrial enterprise. They constituted a minority, but they were predominant, nonetheless. The middle peasant comprised of economically vulnerable category of peasants who could not make ends meet without resorting to loans and without seeking subsidiary employment on the side. They formed the intermediary link. The rural proletariat was the class of allotment holding wageworkers. They included both the poor peasants as well as landless workers (Lenin, 1899; also in Lenin, 1982, pp.131-4).

While analyzing the economic process among the Chinese peasantry, Mao-Zedong (1926, 1933) had contributed further insights into the Marxist attempt at delineation of economic classes within peasantry. It was recognized that there were significant differences between sub-groups within some of the categories discovered by Vladimir Lenin in Russia, and there was possibility of the rural population differentiation into no less than eight agrarian classes based on agrarian production relations in twentieth century China (Alavi, 1973, p.27). In the scheme of Agrarian Marxist, there are at least three categories of peasant farms, which are analytically distinguishable in the transitional phase of agriculture passing through the capitalist transformation and change: the capitalist, petit-bourgeois and proletarian farm. A capitalist farm is typified by a household's own means of production used in conjunction with labour power of other peasant households. A petit-bourgeoisie farm is operated by the peasant households' own means of production used in conjunction with only its own labour power and its own
labour power in conjunction with only its own means of production. A proletarian peasant farm is however best characterized as one where a household's own labour power is not used in conjunction with its own means of production but only in conjunction with the means of production owned and controlled by other households. In line with the insights developed by Mao-Zedong, the Agrarian Marxists argue that there exist also the intermediate types of peasant farms made of various combinations of pure farms (Cox, 1984, pp.22-3).

In the Indian Marxist literature, a labour-use index to classify the farming households as economic classes among peasantry is pioneered and rigorously used by Patnaik (1976). In the framework, the economic classes among peasantry are defined by 'the possession of the means of production and the associated set of relations within the production process (Patnaik, 1976, pp.A-83-89). The economic classes within cultivating peasantry are analytically identified by the degree of working for others and/or of employing other's labour, relative to self-employment (i.e., the family labour on the family farms). It is measured by the value of the labour-exploitation index, the range of value of which is from plus infinity to minus infinity for the two poles of rural class structure. It connotes the extent of parting of unpaid surplus labour by those who wholly or partly lack the means of production and subsistence, to those who monopolizes these means, particularly the land resource (Patnaik, 1988, pp.304-25). Symbolically, it is defined for a given household as follows:

\[ E = \frac{X}{Y} = \frac{[(H_i - H_o) + (L_o - L_d)]}{F} \]

In the above formulation, \( E \) is the labour-exploitation index, and \( H_i \) refers to labour days hired on the operational holdings of the household, \( H_o \) to family labour days hired-out to others, \( L_i \) labour days worked on leased-in land (whether by family or hired labour), \( L_o \) labour days similarly worked on land leased-out by household, and \( F \) labour days worked by household workers on the operational holding. The extreme values of \( E \) are infinity for the big landlord and minus infinity for the landless labourer i.e. \( \infty \geq E \geq - \infty \). It is possible to approximately identify a capitalist, a landlord, a petty tenant and an agricultural
labourer on the basis of the estimated value of labour-exploitation index of a rural household. On the basis of the labour exploitation criteria, the classifications of peasantry into the feudal-landlord, capitalist-landlord, proto-feudal rich peasant, proto-bourgeois rich peasant, lower middle peasant, upper middle peasant, petty tenant-poor peasant, agricultural labour-poor peasant and full-time labourer are identified (Patnaik, 1976, p. A-85). In a matrix of agrarian classes among the peasantry, developed later by Patnaik (1994), even the lesser/lessee relationships are adequately captured.

The classic populist conception has however been one of treating peasantry as an economically homogeneous category. Such a conception and associated belief therein led the Russian populists to demand equivocally the land and freedom to the tillers since the middle of nineteenth century, and that was irrespective of income and asset positions of the tillers in Russia. In the populist and Neo-populist approach, the peasantry is not a 'class other than that constituted by the family farms'. The peasantries always and everywhere constitute a class of family farms, whose owners are economically undifferentiated land tillers in the countryside. Alexander Chayanov (1966) in Russia was the most sophisticated exponent of such an analysis of demographic differentiation among peasantry, who succeeded a long line of populist agronomists and rural officials in the nineteenth century Russia. It is not altogether true that Alexander Chayanov and his school did not accept the economic inequality among peasant households in Russia. They did, but the origin was unequivocally declared to be demographic. It is declared in the neo-populist framework of analysis that it is 'due to demographic factors rather than other factors causing farms to become capitalist and proletarians' in production organization (Littlejohn, 1977, p.119). The inequality among peasantry is rather 'cyclical', which is neither reversible nor irreversible in character (Harrison, 1975, pp.398-412). The modern proponents are Daniel Thorner (1965, 1966) and Teodor Shanin (1973, 1980). The abstract theorizing of neo-populism about peasantry and its followers, which has been based on unrealistic assumptions, has always been at variance with the concrete economic differentiation that has been taking place among peasantry in Russia, China and elsewhere.
In neo-populist conception, the peasant dynamics is conceptualized in such a way that mobility of peasant households reflects merely the biological cycle of the growth and decline of family units. The birth, maturity, marriage, growth of children, ageing and death constituting the biological cycle of peasant family life are claimed to be the forces which invariably lead to regular economic changes (Shanin, 1972, p.232; Thorner, 1965, p. 231). The regular economic changes are modeled in such a way that these are always short of capability to produce economically antagonistic and polarized classes among peasantry. It is made possible in the Chayanovian theoretical framework on peasant dynamics by adopting a strategy with the avowed objective of retaining the thesis of peasant homogeneity, which is based on some crucial but unrealistic assumptions. These assumptions are, one, the marginal skills do not vary significantly among peasant households. Second, the stock of technological knowledge applied to agricultural production is uniformly available to all peasant households. Third, the poor households of peasantry are apt to become richer by using rented land and borrowed capital in the course of family life cycle, and the rich ones do not seek to expand further their own capital and incomes through hiring human labour (Hunt, 1979, pp.248-56). It is on the basis of such assumptions and the logical implications following from these that the Neo-Populists constituting the Organization and Production School represented the hardcore of the Russian 'biological determinists' during the early decades of twentieth century. The demographic and biological determinism that the School adopted reduced the issue of dynamic economic differentiation to one of the static conception of an eternally homogeneous peasantry. Such a conception leads invariably to the denial of the assertion that the peasant 'differentiation in class forms' is a vital dimension of the intensification of commodity relations in agriculture. It also leads to belittling the observation of the agrarian transition study that the examination of the emergence of new classes, shifting class relationships and the changing hegemony of classes are important elements of study (Byres, 1972, P.259). It is important because the agrarian class position in the commodity production relations determines the type of economic involvement of the peasantry in the markets, and the differential types of involvement in the markets and exchange relations react back in turn upon the degree of class differentiation of peasantry; it is an anemic
relation both ways (Patnaik, 1976, p.A-89). Such defiance renders the Chayanovian framework almost ill-equipped to deal with such agrarian transitions in the countryside.

The modern sociological conception, though inspired by the Chayanovian populist framework, accepts the heterogeneity in peasant societies but altogether in a different sense. The existence of so-called ‘apparent differentiation’ and ‘polarization-processes’ among peasantry is not denied altogether. This is however explained simply as the result of cyclical mobility only. The heterogeneity among peasantry is postulated to have the roots in the natural conditions, past history and societal framework of the economy. It is affirmed that the major diversities among the family farms, which are typical of different peasant societies, relate merely to the structure and size of their memberships, and their place within the broader societal groups (Shanin, 1973, pp.187-8). A complex multidirectional mobility among peasant households is posited to be at work and underlining the gross differentiation process in peasant society, particularly in conditions of growing market relations (Shanin. 1980, pp.228-40). There are ‘random oscillations’ leading to the distinct type of cyclical mobility among the peasant households. These are on par with that due to the accumulation of economic advantages and disadvantages among the peasantry, and are caused principally by the operation of the external forces of nature, market and the state (Shanin, 1980, p.239). There are two forces at work among peasantry, which are conceptually distinguished in this framework. The powerful centripetal mobility is explained in terms of random oscillations as 'additional component of mobility', and this is explained in terms of the 'biological cycle' of peasant family life only. The centripetal forces at work lead to the leveling tendencies in relation to the median wealth in the peasant society - the growth and rise of poorer households on the one hand and the descent of the wealthier ones on the other. The centrifugal forces are but instrumental in the polarization between rich and poor peasant households. In the cyclical mobility hypothesis, 'a substantial number' of households are posited to constitute the units, and these units are declared to participate successively in simultaneously operating powerful and opposing trends caused by the antipodal and centrifugal tendencies. A combination of Chayanovian and Shaninian neo-populist framework of analysis has led to the subsequent assertion that there exists a unique
analytical category of 'peasant' mode of production, which has been principally contributed and developed by Daniel Thorner (1965, 1966) in the literature.

Alexander Chayanov (1966, 1991), who have been rediscovered by the biological determinists and life-cycle theorists, has tremendous intellectual impact on the mainstream economic writings as well. The neo-classical economic theory shifts the classical class categories and terrain of the framework of analysis of economic agents further away to reaffirm more robustly that the peasantry in agriculture represents 'a homogenous economic type to the exclusion of all other types - somewhat akin to the old notion of the 'representative firm' in industry' (Patnaik, 1994, p.155). In the neo-classical economic literature on the productivity and efficiency of peasant agriculture, there are conceptually only two classes of cultivators called 'owner-cultivator' ('the owner' peasant) and 'tenant-cultivator' (the 'tenant' peasant), leading to implicit affirmation of absence of further economic differentiation amongst either the owners or tenants in the countryside. While following the method of reductionism in the name of simplification of analysis, the thesis of homogeneity among peasantry is arrived at and defended by analyzing the input utilization and output performance of these two contrasted peasant households and farms. There is no economic rift in matter of objectives, behaviour and strategies allowed for between the landlord owner and petty owner, and no qualitative difference in matter of production organization on the farms between affluent tenant and tenant-in-distress. The macro functioning of the agrarian economy is also not permitted to appear in this narrow framework. The implications are clear to be noticeable:

The modern models do not, unlike Chayanov, seek to situate the micro theory of peasant equilibrium within the context of the macro functioning of the agrarian economy and in this respect they remain partial theories. Some modern models do try to incorporate differentiation (in a manner analytically similar to Chayanov's 'demographic differentiation') by deriving it not from property concentration but from other factors (Patnaik, 1994, p. 158).

In the present study, the social classes within peasantry are considered the major agents of change. With this entry-point, the agrarian question is considered to be also a peasant question; and, the resolution of agrarian question necessitate that the agriculture must perform the function of generating and releasing surplus and creating a home
market. Both are better understood by studying the class differentiation among peasantry (Byres, 1977, p.258; Byres, 1995, pp. 508-9).

1.2. Agricultural Production and Surplus

Agricultural production is a process of conversion of inputs of the land, labour and raw materials including seeds into output, that is, the food and non-food crops and livestock products. It is a biological process of value-addition in the course of transformation of agricultural inputs into output, which necessarily involves rather a considerably long-duration of time. It is a process characterized by a long discrete period of activities on the farm before a peasant harvests a crop. It is never accomplished in a day or over a week as witnessed in manufacturing and service sector of the economy. In manufacturing as well as service sector, it is possible to turn over output every day and every week. It is however inconceivable for a peasant to be able to sow and transplant the seed everyday and gather the corn everyday or every week or even every month. This is inconceivable in case of livestock production as well. In other words, agricultural production is characterized by a discrete-long ‘period of production’. It takes a long period of time, running into more than a couple of months, for the seed in the ground to germinate, flower, grow and ripe enough into mature plants above the ground. A long discrete time-period spread over multiple operations of sowing, transplanting, weeding, applying manures and harvesting is therefore a distinguishing characteristic of the process of production in agriculture. This is true about both pre-capitalist as well as capitalist agriculture. In a capitalist agriculture, which is run on the basis of employment of the wage-labourer and which is centered on enhancing productivity, adoption of a modern agricultural technology in the form of application of quick-ripening seeds of high-yielding variety has been possible. Such improved techniques have often led to shortening the time-period involved in the cycle of production, and yet a rapid rhythm of production at will beyond a limit, below less than a couple of months, has yet not been possible in agriculture.

Farm inputs are in any case applied over a discrete period of production and not at ‘one moment of time’; no one has as yet invented a way of obtaining instantaneous output from inputs in crop or livestock production (Patnaik, 1994, p. 171)
Agricultural production characterized by considerably long and discrete time-period involved in getting an output has always necessitated in all ages and in all places rather invariably a certain minimum stock in cash and/or kind to be held by a peasant. The process of production on farms is inconceivable without an initial stock to begin with. The crops are sown today and a long time-period extending over months separates the harvest at a future date, but the family of cultivators must have something to eat over this waiting period. Production begins therefore with a stock, which is carried over from the previous harvest to provide the seed, animal feed and particularly food to the family till the long process of production yields an output in the current harvest (Robinson and Eatwell, 1973, pp. 62-3). In case of outside human labour used on agricultural farms, there must also be a wage-fund in cash and kind ready to be paid to the labour hired-in from time to time. It is from the initial stock in cash and kind that periodic and regular payments to human labour and owners of material inputs are made across the multiple operations before the harvest of crop. In short, it is always necessary

\[ \text{that raw material, tools and food enough to enable the worker to live during the period of production must, before production is completed, be in the possession of the side which appears as capital (Marx, 1857-59, p.121).} \]

Given the specific features of advance commitment of material inputs and human labour and rather quite slow turnover of working capital in the course of long cycle of production in agriculture (Patnaik, 1994, p.171), the significance of size and level of initial stock is rather much more crucial than generally considered in the literature of agricultural economics. These features are not characteristics of production in either the manufacturing or service sector, and size of initial stock is not as much crucial there for survival of entrepreneurs.

In a self-employed agricultural enterprise, economic surplus is a residual after deducting the paid-out material cost (for manures, fertilizers, fuels, etc) (including amortization), wage payments of hired labour and imputed value of family labour from the gross value of product output. It is a part of net output value over and above the necessary labour cost of production. It is the difference of net value added and labour cost of production. In Marxist economic analysis, it is the straightforward and logically complete concept of economic surplus, and it is invariably an estimation of the capacity for ‘economic reproduction’ of the peasant households and farm. In other words, every
The definition of 'surplus' is simultaneously a definition of 'breaking even', or of "deficit" of a peasant household and farm enterprise (Patnaik, 1988; Patnaik, 1991; also in Patnaik, 1999, p. 246). The concept of economic surplus relates directly to the concept of economic viability of a producing and consuming household unit of peasantry. On a viable farm, it must be at least of a size which must allow a peasant not only to retain a part of surplus but also enable him/her to pay the land revenue, rent interest, traders' commission and public cess. In case of agriculture characterized by prevalence of land tenancy and capital indebtedness, the economic surplus, which is retained on a self-employed agricultural enterprise of a peasant household, is a left-over after deduction of net payments of rent and interest from the economic surplus. The farm disposable surplus is the economic surplus produced net of all claims of property-income recipients in agriculture (Patnaik, 1999, pp. 231-44). Symbolically, these are represented as follows:

\[
\begin{align*}
ES &= (X - M) - (W + WFL) \\
ES_r &= (X - M) - (W + WFL) - R
\end{align*}
\]

In the above formulation, \(ES\) stands for the value of economic surplus, \(ES_r\) the value of retained economic surplus (or farm disposable income), \(X\) is the value of gross output of all crops, by-products and livestock products. \(M\) the material paid-out cost including amortization. \(W\) the wage payments of hired human labour. \(WFL\) the imputed value of family labour (a measure of necessary consumption of family labour), and \(R\) the value of claims of property-income recipients in the form of rent, interest, etc. In case of property-income receiving rural households, the value of \(ES_r\) is always greater than the value of \(ES\), whereas the value of \(ES\) is lower than the value of \(ES\) for the property-income paying households among peasantry. While estimating the surplus, it is the standard practice in empirical works to account for payments made by a household in both cash as well as in kind (and further disaggregate it both in grain and non-grain equivalent).

In alternative neoclassical formulation, agriculture production is conceived as simply a technical process. The human agency involved in production is assumed to be one of homogenous mass of actors. The process of production is cast and represented in the form of a mathematical time-less function and equation. In case of modern agriculture, the neoclassical mainstream economics of production succeeds in positing
the existence of a typical average representative agricultural farm (Ellis, 1988, pp.71-2), possibility of statistical fitting of agricultural production function based on application of least-square method of mathematical regression analysis (Rudra, 1982), and phenomenon of instantaneous conversion of inputs into output in agriculture. There are strict assumptions about the homogeneity in the pattern of production and resource uses across all peasant households, and the social relations of production among economically differentiated classes of peasantry are thereby glossed over in these frameworks of production analysis. In the literature of Classical, Marxian and Keynesian economic analysis, there has however been unfailing incorporation of the specific aspect of long period of production and therefore, production has not been treated in the classified category of ‘instantaneous’ activities in the economy. It is only later that a theoretical attempt is made in the alternative Neo-classical economic paradigm to conceptually abstract from the fact of longevity of the discrete time-period involved in agricultural production. The abstraction has rendered the neoclassical production analysis to be unrealistic in content. In the neoclassical model of farm production, it is further assumed that there is availability of unlimited stock of working capital in order to vary the inputs and outputs and arrive at the economic efficiency in production (Ellis, 1988, pp.17, 40).

These have not only made the neoclassical production analysis again an unrealistic exercise but also rendered such so-called mainstream theoretical models almost incapacitated, rather well in advance, in analyzing the divergent repercussions of the period of production on the economic strength and viability of the peasant household farms in the countryside.

In the classical and Marxian framework of economic analysis, the process of agricultural production is not separated from the process of generation of the economic surplus. The economic viability of a production process lies in its capacity to generate an economic surplus, since the initial stock necessary to carry out the next cycle of production is created out of the surplus in current production. In the neoclassical framework of analysis, there is however no explicit endorsement that an economic surplus from the previous harvest held by a peasant is the minimum necessary condition required for sustaining production activity on the farms and guaranteeing survival of the peasant households over the long period of production in agriculture. In case of such initial stock held in cash and kind by a peasant falling short of requirements of necessary
consumption on the farm and in the household, the agricultural borrowing is a dire
necessity over the longer period of production. In neoclassical production function
analysis, the endogeneity of agricultural borrowing is almost absent. This is a gross
aberration since the phenomenon of an inevitable exchange relation of production and
consumption lending and borrowing among the divergent classes of peasant households
has always been associated with highly detrimental economic effects on viability of
farms. It has historically been conducive in setting a locked process of crop production
under indebtedness. It has variously been the basis of simultaneous existence of
phenomena of commercial and distress sales by peasantry as well.

**Differentiation of Production and Surplus**

In Marxist conceptualization and framework of analysis of production and
economic surplus in agriculture, the patterns of production are not separable from the
patterns of ownership and control of land and non-land resources by peasant households.
The social relations of production and specifically labour relations among peasantry as
these are grounded in the pattern of ownership and control of assets and resources, are
moreover accorded the status of being primary in importance in determining the size and
pattern of agricultural production. It is posited that there are sections of peasantry having
a monopoly of land ownership. They lease-out the excess land to appropriate absolute
ground rent, and use outside labour on self-cultivated land to appropriate the surplus
labour in the process of producing crops. There are on the other pole a section of
peasantry, who are victims of the landlessness phenomenon, and therefore, are
constrained enough to resort to quite often the hunger lease-in the land and distress sale
of family labour to supplement household income. In short, it is both illogical and
historically unrealistic proposition to abstract from the concrete social relations of
production, which is the basis of differentiation of production on heterogeneous farms. It
is rather the observation that

*The production is not merely a technical process, it involves social relations as
well, in particular legal rules and accepted conventions concerning claims to
property .................. social systems may be differentiated by patterns of
ownership they have adopted ..................The social relation inherent in the
control of the means of production influence not only the manner by which the
technical requirements of production are met, but also how much is produced and
how the fruits of production are distributed* (Robbins and Eatwell 1973, p. 63).
Given the differentiations in terms of divergent effective resource endowment and appropriation of surplus labour among peasantry, the organization and techniques of production are bound to differ across the cross-section of farms. There are poor and small farms using the traditional varieties of seeds, resorting to over-utilization of family labour, and relying on the use of traditional obsolete tools and equipments on the one extreme. There are on the other extreme relatively rich and affluent farms characterized by the use of high-yielding varieties of seeds, multiple cropping practices, and adoption of modern farm machinery.

The Marxist approach proceeds from the recognition and substantive integration into analysis, of class differentiation within agricultural producers. Owing to an unequal distribution of resources, peasant production units are recognized to vary greatly in effective resource endowments per head of the family, and hence in objective function and labour process, leading to relations of labour-hiring and land-leasing between a sub-set of all household (Patnaik, 1994, p.193).

There is differentiation in production conditions among peasantry and such segregation entails it to be both illogical as well as historically fallacious proposition to posit qualitatively similar and quantitatively equivalent stocks being held by each producer in the beginning of the cycle of agricultural production. A qualitatively similar and quantitatively equivalent stock being held by all classes of peasantry before the beginning of production has not been the historical phenomenon in agriculture. This is particularly true in the context of underdeveloped countries, which are further characterized by mass poverty and inequality in income and wealth. In Marxist analysis, agricultural farms are heterogeneous in matter of both land size and scale of production and operation among peasantry. Given the diversity in technical-organizational complex on heterogeneous farms, the output is bound to vary. Given the differentiated pattern of production process, the material paid-out cost and labour costs are also bound to differ with a wide margin across a cross-section of farms. This has implications manifested in the various sizes of economic surplus across the cross-section of farms, after allowing for deduction of imputed value of labour from the net value added. A class of affluent peasant-producer holds therefore more than the requisite current stock in cash and kind from the surplus of previous harvest at one extreme. At another extreme, the classes of petty, poor and small peasant producer are destined to struggle and eke out survival in the
situation of falling short of the requisite stock of seed, animal feed and food for family consumption round the cycle and year of production.

In the literature preoccupied with estimation of farm food supply and arrival of food on the market, a different concept of surplus has been prevalent. It is erroneously called the marketable ‘surplus’, and also with a little modification in the estimation procedure the marketed 'surplus' in the contemporary popular literature, which are in terms of definition and content akin to the notions of marketable and marketed output respectively. The marketed surplus is actually ‘sold output’ in the market. The marketable surplus (or output) as estimated in a number of works in India refers to “the gross surplus of output over the sum of the demands out of it on the farm, where the demands are calculated on the basis of actual requirements, met out of farm-grown produce in previous years” (Patnaik, 1975; also in Patnaik, 1999, p.159). It differs from the marketed output in the sense that it is “not the amount actually taken to market centers to be sold in the year concerned” (Patnaik, 1999, p.159). The marketed surplus/output is simply the marketable surplus plus/minus the stocks. Both of these relate to the commoditized part of output after accounting for the actual and estimated retention of output respectively by peasantry. Symbolically, the gross value of marketable surplus and marketed surplus are as follows:

\[
MS = X - (W + W^{FL} + F^A) - (S + R) - A
\]

\[
M^dS = MS \pm S^t
\]

In the above formulation, \(MS\) refers to the gross value of marketable surplus, \(M^dS\) the value of marketed surplus (marketed output), \(F^A\) feed requirements of the livestock, \(S\) amount of seed retained, and \(A\) payment to the artisan, craftsman, etc, and \(S^t\) the stocks.

It is possible to strike a relation among economic surplus, marketable surplus and marketed output of a cultivating household. In agriculture, total volume of output produced by a peasant household is divided into two parts: one part sold for cash and another retained in kind. The part sold for cash, call it \(X^c\), is used to finance the purchase of different inputs from the market, \(Cc\), articles of consumption, \(Lc\), and rest held as surplus in cash, \(Sc\). The retained part of output in kind, call it \(X^k\), is used for purpose of
meeting input requirements in kind, Ck, necessary consumption out of total produce (including wage payments in kind), Lk, and the rest held as surplus in kind, Sk. In case of property-income receiving peasant households, there is an additional component of retention consisting of net profit, Pk, net rent, Rk, and net interest, Ik, received in kind. The marketable surplus is composed of cash expenditures on the articles of consumption, labour payments and cash component of surplus held only, whereas the economic surplus is composed of both kind and cash components of surplus held. Symbolically, these can be represented as follows:

\[
(1) \, X = X^c + X^k \\
(2) \, X^c = Cc + Lc + Sc \\
(3) \, X^k = Ck + Lk + Sk \\
(4) \, MS = X - X^k = X - [(Ck + Lk + Sk) + (Pk + Rk + Ik)] \\
\hspace{1cm} = Cc + Lc + Sc = X^c \\
(5) \, ES = X - (Cc + Ck + Lc + Lk) \\
\hspace{1cm} = (X^c + X^k) - (Cc + Ck + Lc + Lk) \\
\hspace{1cm} = (X^c - Cc - Lc) + (X^k - Ck - Lk) \\
\hspace{1cm} = Sc + Sk = (MS - Cc - Lc) + Sk \\
(6) \, ES = (MS + Sk) - (Cc + Le)
\]

There are three different situations possible in which a positive economic surplus is associated but rather differently with the marketable surplus. Symbolically speaking,

\[
(1) \, Sk = Cc + Lc \quad \text{then} \, ES = MS \\
(2) \, Sk > Cc + Lc \quad \text{then} \, ES > MS \\
(3) \, Sk < Cc + Lc \quad \text{then} \, ES < MS
\]

In case of simple reproduction of the households of peasantry based on petty commodity production, what is produced over and above the material cost of production and net payments to property-income recipients may be just sufficient to meet the necessary consumption requirements of the household of peasantry. In other words, there is no economic surplus whatever be the size of positive amount of output marketed by peasantry under consideration. In essence, there are no commercial sales in true sense for
the sake of profits by peasantry. The market involvement of peasantry is within the framework of subsistence agriculture only. In the literature on commercialization in agriculture, the positive volumes of marketable and marketed output are however erroneously declared to be associated with the phenomenon of commercial involvement of peasantry in the market. The marketable and marketed output after accounting for retention is actually not at all an accurate indicator of economic viability of household of peasantry. It is possible to have zero economic surplus but positive magnitude of marketed output on the farms of petty, poor and small peasantry. This is for the simple reason that there are disposal of necessary and essential stocks on the market and corresponding depletion of even essential retention for the family consumption in the household in a situation of distress created by hunger leasing, indebtedness and tied commercial exploitation. It is simply that the necessary consumption requirements for reproduction of the peasant households are brought in the circulation sphere and put on the market. Given the obligations to pay land revenue, rent and interest, the deficit peasant-producers must resort to increase the acreage under commercial crops and increase the volume of marketed output of both food and non-food crops. It is from the cash revenue of marketed output that the necessary items of consumption are purchased later and the claims of property-income recipients are met by the poor and indebted peasantry.

In case of forced commercialization of agriculture, marketed output is generally much higher than economic surplus due to widespread distress sales of crops by subsistence farmers in the market (Patnaik, 1999, pp. 263-78). This is often because of compulsive involvement of these farmers in the market on the terms and conditions of exchange set by the substantial surplus households in the context of widespread phenomenon of poverty and indebtedness among peasantry (Bharadwaj, 1985, pp.335-44). The forced commercialization on poor and small farms and involvement of such peasants in the market fails to alter the character of subsistence farming, however. A popular claim to the effect that the very phenomenon of involvement of any class of peasantry in the produce markets alters the nature of subsistence farming is found to be untenable and fallacious. A higher volume of marketed output cannot signify an increased level of gross output. It is not an indicator of a uniform economic strategy followed by each economic class of peasant actors enmeshed in the forced
commercialization. It is moreover possible to have positive economic surplus, but very low marketed output on the farms of rich and affluent peasantry since these farms are found to be simply holding a large stock, made possible by ownership of transport vehicles and storage means, for various speculative purposes, for example, the usury and commercial trading activity. A more than necessary stock of working capital in cash and kind is nonetheless built up for speculative purposes in agriculture in case of economic surplus being larger than the marketed output of crops on some affluent farms. It is only in case of economic surplus in kind being equal to the cash components of material inputs and articles of consumption purchased by peasantry in the market that the economic surplus is equal to the marketable output (Patnaik, 1975; also in Patnaik, 1988; also in Patnaik, 1999, pp. 243-48).

The production condition in agriculture is differentiated across economic classes of farms in yet another respect. Agricultural production is rather heavily dependent upon the variations in nature, weather and climate. This is in contrast to production processes in the manufacturing and service sector. Farm production is significantly influenced by the conditions of temperature, humidity, and wind in the nature. The frost, warmth, rain, and draught are vital determining factors influencing the pattern of cropping and volume of crop output. An unfavorable climatic condition and natural calamity have ever been found to be detrimental to the growth of standing crops in the field and consequently conducive in reduction in the volume of stock available in the next cycle of production for all classes of peasantry. A poor and small farmer producer is however hard-hit in such a case in comparison to an affluent peasant, who generally holds a relatively large economic surplus from previous harvest. The helpless borrowing at the standing crop becomes a necessity for the poor and small peasant and tenant. This is not a necessity for rich and affluent peasant household at all. Production is moreover characterized by the seasonality in operation. The production of specific crop is bound up with the particular season and is characterized by seasonality in the resource usage (Booth and Sundaram, 1984). A heavy demand for labour and complementary inputs is followed by a dull period of low employment and resource utilization. The seasonal bouts of activity and non-activity are bound to differ on the farms of divergent classes of peasantry, which already differ in the economic capacity to adopt a specific level of agricultural technology. In the expansion of output from a given level, the time pattern of different techniques of
production is important (Robinson and Eatwell, 1973, pp. 62-3), and this necessarily differs on divergent classes of farms. A peasant who begins with less than requisite stock over the long period of production and who is a victim of adverse climatic condition must resort to consumption and production borrowing at a time of seasonal heavy demand for labour and complementary inputs. The low per capita resource endowment and subordinate economic location in the production relations puts him/her at the mercy of usurers and merchants in the countryside. The production on such farms is also characterized by pre-contract to sale the crops immediately after the harvest and that too at lower than prevailing market price. The agricultural marketing of crops is therefore characterized by the forced nature of commercialization on such agricultural farms. This is in contrast to the pattern of participation of affluent land owning and labour-exploiting classes of peasantry in independently functioning credit and product markets. The latter group of peasantry is not forced to take part in interlocked credit and product markets. In other words, there are multiplicity of exchange system for already differentiated classes of peasantry (refer to the pioneer works of Bharadwaj, 1974; Bhaduri, 1983). The multiplicity of exchange systems in markets originates and follows the multiplicity of patterns of production on divergent classes of farms.

1.3. Agricultural Product Marketing

Agricultural marketing is an activity of disposing off a significant part of output of food crop and almost entire economic surplus in cash crop. In a commercialized agricultural economy, it is an activity of disposing off not only the economic surplus but also a part of gross output of food and fiber meant for the necessary consumption of peasant households. A peasant household in economic distress and deficit disposes off a significant part of even the necessary consumption and subsistence requirements on the market, periodically. Agricultural marketing represents a process of disposing of and parting away with a part or whole of gross output of food and fiber crops and processed agricultural commodities by peasantry. It is a specific kind of activity of circulating and distributing a part of output of commodity, since agricultural commodities are generally characterized by perishability, bulkiness and seasonal nature of production and availability. It is generally intervened and mediated by a long chain of channels of
physical distribution and information network. Such an activity involves a long process
of circulation and distribution propelled by trade-specialization of a number of
middlemen, who are required to mop up the marketed output of peasantry, and is
contingent upon the existence of specialized services available in marketplaces, which are
required to distribute the produce across time and space.

Agricultural marketing is part of a non-direct and intermediated exchange
process. It starts at the gate of the agricultural farm, which are spatially scattered, then
gets intervened by a plethora of merchants and marketplaces scattered along multiple
circuits of exchange, and finally ends at the door of the consumers, who are again also
both spatially and temporally dispersed (Kohls, 1961; Kohls and Uhls, 1980; Abott,
1984). It involves the assembling, transportation, storage, standardization and processing,
market information collection and price discovery of crops (Jasdanwalla, 1977). It is
essentially a prolonged exchange activity, which is characterized by a chain of further
transaction activities in the circulation sphere of economy. It does not signify an
instantaneous phenomenon of exchange activity on the market. A vast combination of
agent-middlemen-merchants scattered throughout the long channels of food and fiber
marketing and a plethora of marketing institutions and organizations are involved in
undertaking a multiplicity of specialized marketing functions and providing an array of
specialized marketing services in the rural-urban continuum (Abott, 1958; Shepherd,
1965).

In the political economy approach, a multiplicity of produce exchange systems in
agriculture is assumed. A significant factor supporting and maintaining the phenomenon
of multiplicity of exchange system has been the simultaneous existence of commercial
sales and distress sales of crops in the market. This in turn has systematically been
produced in the iniquitous agrarian structure by the duality of sharply divided
phenomenon of marketing of genuine economic surplus on the one hand and marketing
of rather a part of requirements of necessary consumption meant for reproduction of the
households of peasantry on the other. In the arena of multiplicity of exchange system,
the market involvement of peasantry of all classes is not uniformly voluntary and
commercial in nature. The study of differential involvement of peasantry in agricultural produce market is a pointer to the observation that the terms and conditions on which poor and small peasantry sells the crops are different from the terms and conditions associated with the commercial sales of crops by the medium and large peasantry. The obligatory and forced nature of crop marketing by the poor, small and deficit households in informal markets is qualitatively different from the voluntary and commercial nature of marketing of agricultural produce by the affluent, rich and surplus producing households of peasantry in the formal market. In other words, there is differential involvement of peasantry in the agricultural produce exchange market (refer to the works of Narain, 1961; Bharadawaj, 1974; Patnaik, 1975), and the multiplicity in the pattern of marketing of agricultural produce is facilitated by fragmentation in exchange systems and incomplete growth of agricultural produce market in underdeveloped countries. The system of exchange of agricultural produce in an informal agricultural market is distinguished with the pattern and structure of transactions in a formal market. An informal market created in the niche of unorganized transactions in the periodic rural mart and regular assembling bazaar and mandi evokes historically with its own pattern in the ambience of non-intervention by the public authority. The informal markets in agricultural commodities are generally incomplete and fragmented in nature in the context of underdeveloped agricultural economy. A formal produce market under the umbrella of organized transactions in the cooperative marketing societies and regulated marketing yards is generally conceived and modeled as a replica of perfectly competitive market.

In the alternative paradigm of analysis, it is argued that agricultural marketing yields an output in the form of addition of form, time, and place utility to agricultural commodities by virtue of specialization on the part of economic agents and ease/convenience/advantages of locations. A merchant is involved in changing the form of agricultural commodities from the less useful to more useful, storing at a time of low demand to make the commodity available at a time of high demand, and moving it from a place of abundant supply to a place of scarce and deficit supply. These are considered to be productive functions, in the course of which the price discovery is a significant task.
performed by an agent middleman based on historical specialization and division of
labour in exchange process even in the environment of market competition (Auerbach,
1994). It is the price discovery, which is the basis of motivation of merchant-middlemen.
An agent-merchant is therefore entitled to earn and he is posited to earn only the
reasonable and normal marketing margin over marketing costs in a competitively
integrated structure of market. A spatially and temporally integrated market structure
ensures it that the price spread between two marketplaces is no higher than the unit cost
of transportation and the price spread between two seasons being no higher than the unit
storage cost (Lele, 1971). In neoclassical economic theory based on the structure­
conduct-performance paradigm, a sound agricultural marketing system is assessed on the
criteria of the attainment of economic and technical efficiency in the performance of
marketing functions and discharge of services. It is argued that the assessment of
economic performance of agricultural marketing activity of merchants and peasants
and the associated public policy recommendations thereof have been the traditional
subject matter in agricultural economics (Bateman, 1974). The economically efficient
agricultural marketing performance follows from the sound conduct of business by agents
which itself is made possible only by the operation of the competitively integrated market
structure in the economy (Bain, 1959; Caves, 1967; Scherer, 1970). A sound and efficient
marketing requires the technology of fast and safe movement, guarantee of longer
survival of use-value of agricultural commodity, minimization of damage and wastage,
better market information, attractive sorting, grading and standardizing, and lower
transaction cost involving network of price information and discovery. The cheaper costs
of transportation, storage and market intelligence per unit of crops marketed are the
hallmark of an efficient marketing in the countryside (Jasdanwalla, 1977).

In the neoclassical paradigm, the Marxian postulates that the merchants merely
alters the form of commodity from the various commodity-forms into the money-form,
and the entire range of costs of circulation, which do not enter into and do not add value
to the commodity, are merely “deductions” (Capital, Vol.–II, pp. 135, 139, 152) are
dislodged. These are dislodged with a view to justify the so-called “utility-adding”
functions of the circulation sphere and to legitimize the consequential pocketing of
marketing margins by the merchants. It is systematically ignored that these "deductions" in the name of recovery of "marketing costs" incurred by the merchants may be a source of enriching merchants through the mechanism of the price-spread across space and time. In the aggregative exercise, the heterogeneity of class relations between peasantry and merchants across the multiple exchange systems and consequences thereof in terms of exploitation and guile are systematically sidelined. The virtues of an abstract perfectly competitive market are superimposed on the actually functioning incomplete and fragmented markets in the countryside of underdeveloped economy.

**Differentiation among Agencies and Channels**

The agency function of a merchant and a middleman in the marketing of agricultural produce has been an age-old phenomenon. It is an ancient institution, the worth and use of which has however changed in the course of epochs of production system. In the long chain of marketing, it has always been difficult for a large section of peasantry to accumulate the special trading resources and develop specialization in the skills required for exchanging the agricultural produce against commodity and money. In its historical evolution, the commission agency systems and price arbitrage activity have therefore been developed by a specific group of meddling agents called the traders and merchants. The activity of arbitrage on the part of merchants and price spread phenomenon in the market has been conducive in widening the capital base of this group of actors in the marketing business, which in turn has often enabled them to practice the act of notoriety of cheating, mischief and treachery. In other words, the agencies and channels of marketing of agricultural produce as it developed historically are not homogeneous and uniform.

In a merchant-centric descriptive analysis, it is therefore postulated that the merchants are not a homogeneous category of mediating agents in the marketplaces. There exists a hierarchy of merchant agents, who are of varying resource endowment positions and therefore enmeshed in a complex set of market constraints, along the diversity of marketing channels in the rural-urban continuum (Abott, 1958, 1984). A multiplicity of channels of marketing in food and fiber exists today in a state-intervened
economy, ranging from the informal traditional marketing channel managed by a hierarchy of private agent-merchants to the multi-tiered cooperative marketing societies run by a gamut of peasantry to the regulated market yards controlled by the government functionaries and staffs. There exists today a differentiated group of agent-merchant forming a hierarchy based on the ownership of working and fixed capital commanded over, volume of transactions dealt with and annual income earned from trade in the business of marketing. A multiplicity of designations used for the members of group of merchants and traders are not merely shorthand for the differing social esteem and status of the traders but also indicative of the economic differentiation among them in terms of quantum of commodity handled, income earned and asset holdings. A number of functions and services associated with specific designation of agent-merchants are indicative of the virtual division of labour and specialization among them, linked with their differing resource endowments positions in the market. There are varying levels of freedom of choice, ease and convenience in transaction and degree of arbitrage, price spread and exploitation associated with these channels of exchange and transactions in the market.

In the political economy perspective of economic differentiation among peasantry, the volume of output and economic surplus necessarily varies across the economic class locations of rural producer households in the context of landed monopoly in a few hands in particular and asymmetric distribution of per capita resource endowment in general in the countryside. The variation in the economic capacity to produce and generate surplus is a principal basis of exploitative relations of borrowing and lending among the differentiated peasantry. A class of deficit peasant households is compelled by circumstances beyond their social and economic control to resort to consumption and working-capital borrowing to keep the production continuing on the farms. The borrowing at exorbitant rates of interest charged by the money lenders, landlords, and crop traders and thereby immediate post-harvest sales by the producers are therefore integral part of the pattern and process of production on the farms of deficit peasantry. The production on petty, poor and small farms being significantly and perennially financed by borrowed stock in cash and kind obtained at exorbitant rate of interest in cash and kind year after year has direct implications in terms of further
reduced size of economic surplus and disposable earnings. Agricultural marketing is neither a long process of disposal of surplus nor a significant activity by the producers in the context of such farms in the countryside. The production process on the farms of the landlord, capitalist and rich peasantry is however characterized by large stocks and annually expanding surplus being used for speculative purpose, for example, the usury lending and commercial trading on the market. This ensures a continuous increase in the economic surplus and disposable income year after year in the backdrop of intensified economic differentiation among peasantry (Patnaik, 1999, pp. 229-35). Agricultural marketing of surplus here is a long process of disposal involving a number of middlemen across a long chain of networks of distribution.

Agricultural marketing is certainly a long process of voluntary and commercial disposal of crops, but only for those classes of peasantry who have genuine economic surplus to dispose, who are equally owners of the transport vehicles, storage means and processing equipments, and who have developed accessibility to higher up marketplaces in the chain of distribution. In the activity of marketing, peasantry of rich and capitalist classes are mostly associated with a specific category of well-to-do merchants, which enable them to sell the crops at higher prices in the off-season. The rich and affluent peasant selling a large lot of crop is mostly associated with the bulk dealing and stock holding big merchants in both the private wholesale mart as well as regulated market yard over long distances. It is however a short process of disposal of a major part of gross output of crops for a class of poor and small peasantry. It is of the nature of an obligation to dispose the crops immediately after the harvest at the doorsteps to an itinerant peddler, hawker, and huckster inside the villages and a peasant-trader in the nearby primary informal periodic weekly mart at a pre-contracted low price. A small producer selling a small lot of crop is mostly associated with itinerant hawker, peddler and commission agent of a trader and a private channel of marketing. In case of deficit households, it is simply the activity of selling under distress a considerable part of necessary family consumption requirements to pay the land revenue to the government, rent to the landlord and interest to the moneylenders. There is no long process of transportation, storage, and processing involved in the marketing activity undertaken by such sections of peasantry. It is basically the characteristics of production relations among peasantry, which determine
the nature of exchange relations among peasantry and between peasantry and merchants in the market. Given the degree of longevity of process of agricultural marketing, the differing volume and timing of disposal of crops and the varying requirements of mediating transport and storage, the divergent classes of peasantry are associated with varying groups of merchants and varying channels. In the framework of analysis built on posing contradiction between rich peasantry and small farmers, long historical observation on the fragmentation in exchange system has given rise to the thesis that the terms and conditions of agricultural marketing undertaken by a peasant-tenant and indebted peasant is in all real possibility quite often interlinked with those of agricultural financing and leasing activities in the credit and land market as well (refer to the pioneer theoretical and empirical works of Bharadwaj, 1974; Bhaduri, 1983; Bardhan, 1984).

The segmentation of agricultural produce markets deepens in the backdrop of existence of multiple agencies and channels and association of diverse classes of peasantry with diverse agencies and channels, and a segmented produce market facilitates the high marketing margin for the resourceful middleman and low earnings for relatively poorly resource-endowed peasant-sellers. The vulnerable sections of producer-seller as well as consumers are exploited under the phenomenon of very wide price-spread, unmatched to the transport, storage and other services provided by merchants. The exploitative arrangement flourishes rather than getting checked, particularly in the environment characterized by the phenomena of high transaction costs borne by parties-in-exchange, information asymmetry between peasantry and trader, and iniquitous mercantile-financial power. The exploiting peasant-purchaser-trader-middleman agents are able to enforce inter-locking terms and conditions due to the command over economic and extra-economic power base in the production system of villages. The undesirable ethics of merchant relates to the exploitation arising from undue enforcement of power equations in setting terms and conditions of agricultural marketing (Bardhan, 1984). It is however the vulnerable sections of subordinate and distressed peasant-sellers, who are selling immediately after harvest, selling within village and in lower-order primary markets in the vicinity and often repurchasing at higher prices in the lean season, who are the victims of the guile and caprices of such merchants and traders. The freedom to
choose agents and channels of marketing is often curtailed for the petty, poor and small peasantry (Bhardawaj, 1974; Bhaduri, 1973, 1983; Eswaran and Kotwal, 1985). The affluent peasantry by virtue of the command over the transportation vehicles, storage means and market information manage to escape the immoral disposition of the merchants in the higher-up marketplaces and channels of marketing. The differentiation among the middlemen-agencies and channels of marketing has differing economic implications on the prices and incomes received by peasantry. The choice of a merchant and channel of marketing has a direct impact on the price received, the ease and convenience obtained and the brunt of exploitation borne by a peasant-marketeer.

In the mainstream paradigm of marketing, the agency of specialist middlemen is however posited to be involved in discharging the marketing functions to the effect of adding the form, time and place utilities to agricultural products, multiplying the volume of transactions and deepening the temporal and spatial dimensions of the agricultural market. In the distribution of food and fiber, the provision of transportation, storage, standardization, processing, market information collection and price discovery are all interconnected integral functions of agricultural marketing (Jasdanwalla, 1977; Acharya, 1988). The competitive elements in the market are posited to be compelling the merchants to develop a cost-effective network and efficient organizational structure. The heterogeneity among merchants is assumed to have no impact upon the conduct and market performance. The merchants are portrayed to be motivated simply by the prospect of earnings in the form of the wages of management, quasi-rent of special skills and normal profits in undertaking and bearing the risks and uncertainty. These assumptions are problematic in the sense that the mainstream paradigm of homogeneity among merchants is too abstract and idealized version, which militates against the concrete working of agricultural marketing structure and system as witnessed in the developing countries in the world (Abott, 1958, 1984). Moreover, the price competition is not found to be the hallmark of agricultural marketing network in the developing countries. The conventions and legislative paraphernalia are generally either lacking or incomplete enough to control the exploitation in an ethos constituted by a plethora of agents and a number of diversified activities in the town-countryside continuum nexus (Abott, 1984).
In modern times, the qualitative, spatial and temporal boundaries of the food and fiber market are inherently linked to the strategic behaviour of producer-sellers and middlemen merchants by virtue of differing level of specialization and locations in the division of labour in the circulation sphere. It is therefore the significant criterion of evaluation of performance of agricultural marketing activity and process to measure the technical efficiency in terms of performance of infrastructural amenities and marketing organizational structures and evaluate the degree of ease/convenience and exploitation of human agents involved therein.

Role of Central Places

A regular and consistent pattern of marketing of agricultural produce over time at a specific space is a precondition of the origin of a central place. A central place is formed by regularities in the pattern of systematic organization of population, settlement and activities across the landscape of a specific space in the course of history, according to the classical geographic model of location theory. The geographic location theory of agricultural marketing system posits a hierarchy of service functions discharged by a hierarchy of permanent and periodic central places (Christaller, 1933; also in Skinner, 1964, p.5). In other words, a central place is a market place with a number of specialized-service-functions and associated infrastructural provisions. It is however not merely a marketing place. It is rather associated with discharge of multiple central functions of the trade, banking, administration, education and transportation in particular. A higher-order central place provides higher-order goods (not necessarily agricultural crops and commodities), and therefore, constitutes a larger market area. The market areas of a central place are bounded areas, determined by the cost of transportation of goods (or range of a good). A maximum distance within which the sum of price plus transport cost of the commodity is such that consumers are willing to purchase it rather than go without it determines the market area (Christaller, 1933). In other words, a limited geographical area binds the economic transactions. The demography of surrounding areas has equally a role to play. The population growth stimulates either increase in the size of market place, or opening of new market days or increase in the number of marketplaces. This is a
feature recurring with unfailing regularity across space and time, and the regularities are maintained by the key factor called “central service functions” of a central place or market place. The classical conception of three-tier hierarchy of standard, intermediate and central marketplaces, propounded by William Skinner (1964-65) in case of medieval China, are claimed to be correlating generally with the locations of a hierarchy of administrative centers and the pace of urbanism. In other words, an institutional organizational complex of agricultural marketing system, which is rich in infrastructures enough to discharge the marketing functions and services, is a characteristic of a central place.

The theory of central place system has recently sparked new public policy paradigms of “growth poles” and “growth centers” to solve the marketing problems of peasantry. A growth pole and growth centre established by public organizations of the government simulates the central place system. In a number of planned economies, the growth centers developed by the state bureaucracy with provision of infrastructural services thereof are attempts to attain the modernization in the informal marketing system. In modern times, the state intervention in agriculture in the direction of ‘growth centering’ is implied to mean simply the selection of locations and services to be located at a particular space, be that of marketing, credit, artisan, transportation, and storage services. Such growth centering is considered crucial in the public economic policy endeavor on the part of government in many countries. The economic rationale put forward in favour of and the government programme of establishment of a regulated market yard and modernization of traditionally established mart are attempts in the direction of emulating the models of central place. In this paradigm of analysis of agricultural marketing, it is asserted that there is always a close relation between modernization of agricultural marketing and the transportation means and network. The modernization of a traditional marketing system commences only when it is linked by economically efficient transport to outside system of production. It is argued that the modernization occurs only when a modern transport network is developed within an already commercialized central marketing system to the point where the standard markets of the central place system are obviated and die (Skinner, 1965, pp.213-6). There is
always a history of the origin and decay of a central place. All central places in the hierarchy are subject to the history of birth and death. This is true of the standard, intermediate and central markets in China as well as the haats (periodic markets), mandis (wholesale regular market) and bazaars (regular central township market) in India.

Summary

A peasant is simply a tiller of the soil and a petty commodity producer in agriculture. It is posited to be undergoing a process of differentiation under commodity exchange and crystallizing over time into social classes. The peasant economic agents and peasant units of production are differentiated on the basis of polarization of two contradictory economic classes of capitalist and wage workers in the agrarian social structure and relations of production. There had been multiple criteria used with conceptual refinement with regard to the identification of the peasant classes in the countryside in the Marxist literature. An objective and systematic index called the labour-exploitation ratio as an index of classifying peasantry in a budding capitalist framework of agriculture has recently been developed. It summarizes all the developments within the Marxist theory on the theme of classification of peasant households. In the class-perspective analysis, there exists the dominant (either landlord or capitalist) peasant exploiting the human labour of other classes of peasantry and appropriating the surplus labour in the form of receipt of rent. A stratum of middle peasants is the ‘neither-exploited-nor-exploiting’ peasantry and the subordinate (poor and small) peasant are those whose surplus labour are appropriated via wage and rent categories. There is possibility of transitional strata to exist in between these agrarian ranks in the production relation in the countryside. The populist notions of demographic cycles of changes within the so-called relatively homogeneous peasantry and neoclassical abstract modeling of a rational peasant abound in the contemporary literature, nonetheless. The Chayanovian perspective dominates here. The demographic models are but unrealistic abstraction from the concrete reality and fail utterly in capturing the stratification and differentiation of peasantry into the agrarian economic classes.
Peasantries of all economic classes are involved in the material production and generation of economic surplus of commodities in the countryside. Agricultural production is however characterized by the specificity of long period of production involved. A peasant family has to survive over this long period of production till the crops are harvested. It is unfailingly required that a certain minimum amount of stocks in cash and kind must be held by a peasant household before embarking on the production. Given the differentiation of peasantry in the countryside, it is inconceivable to posit similar and equivalent stocks of food, feed and seed being held by each producer in the beginning of the cycle of agricultural production. There are a class of poor and deficit peasants, who often fall short of the stock annually to begin with. Production on the farms of petty tenants and small peasants are often characterized by dependence on the shared and borrowed stocks of seed, animal feed and food in the countryside. There is nothing inevitable about continuity of production, and production often becomes rather nearly impossible on such farms in the absence of provisions of credit in the future. The economic surplus is a residual strictly after deducting the material costs of production, the labour payments (including the imputed value of family labour) and the claims of property-recipients (rent, interest and profit) from the value added in production. It may be positive figure on such farms out of which initial stock for next cycle of production is carved out. The surplus retained, which is the commodity form of farm disposable income, is often negative on such farms after meeting the claims of property-recipients. It is greater than the surplus produced in case of the net receivers of the property income, but lower than the surplus produced for households belonging to the net payers of property income in agriculture. In other words, there are negligible and rather negative amounts of retained economic surplus but positive and high marketed output on farms of some peasantry. This is a phenomenon of forced commercialization, which proceeds on the premise of existence of indebted peasantry. The forced commercialization phenomenon on the farms of indebted peasantry starts from the farm-gate itself before realizing the same in the market.

Peasantries are involved in marketing the surplus output as well as part of output meant for necessary consumption of households. Agricultural marketing is a chain of
prolonged process of transportation, storage and processing of crops, and collection of market information and price discovery. It is an activity intervened and mediated by a vast combination of agent-merchants, multi-stage manual and mechanical operations between the scattered farm gates and a hierarchy of market places along rural-urban spatial continuum. In the political economy approach, it is postulated that agent-merchants are economically heterogeneous group of intermediaries in marketing of crops. In the agricultural marketing activity, the merchant agents and commission agency are as much motivated by the guile as the self-interest, and quite often combine the arbitrage, hoarding and price spread activities with cheating, mischief and treachery to rob the vulnerable sections of peasantry. There exists a multiplicity of produce exchange systems. There is fragmentation in exchange systems and incomplete growth of market in underdeveloped countries. A specific class of peasantry is involved in transaction with a specific group of merchant in the marketing arena. In the alternative paradigm of analysis, it is argued that the assessment of agricultural marketing performance of merchants and peasantries and the associated public policy recommendations thereof have been the traditional subject matter in agricultural economics. The attainment of economic and technical efficiency in the performance of marketing functions and discharge of services is the criteria of assessment of a sound agricultural marketing system. The paradigm of homogeneity of agencies and channels of marketing is too abstract and idealized version, which militates against the concrete working of agricultural marketing structure and system as witnessed in the developing countries in the world. The literature on geographical location theory of marketing has led to the evolution of concepts of growth poles and centers. These have been modeled on the line of central place paradigm of agricultural marketing. The geography of the marketplaces determines the quality of marketing services being made available to the divergent groups of traders and peasantry. In other words, the agency and central place specialization is crucial in the agricultural marketing of crops by all classes of peasantry. In the next chapter, the theoretical grounding of the features of interaction of peasantry with the institutions of money and the market is surveyed.