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## *Agrarian Crisis and the Way Out\**

It is a matter of great pride for me that I had worked with Godutai in the All India Kisan Sabha and in the Communist Party of India (Marxist). As a tribute to the memory of the legendary peasant leader, Godavari Parulekar, I wish to speak on the subject, "Present Agrarian Crisis and The Way Out" as suggested by the University of Mumbai. I am not an expert in Agricultural economics; my only qualification to speak on the subject is my association with the All India Kisan Sabha, which is at the forefront of taking up the various agrarian issues throughout its 71 years of existence.

### UPA GOVERNMENT'S MYOPIC APPROACH

Let us go back a couple of years. Despite all indicators pointing towards an agrarian crisis, the Central Government was reluctant to admit that there was anything seriously wrong with the agrarian situation. Continuing suicides by thousands of peasants in Andhra Pradesh, Maharashtra, Karnataka and Kerala forced the Government to wake up from the slumber. The Prime Minister subsequently announced relief packages for certain districts in those states.

These district specific relief packages reflected a rather myopic view of the crisis adopted by the Government. The underlying diagnosis behind region-specific relief packages was that the problems faced by the peasantry are concentrated in certain regions, which does not have any all-India relevance. The Government also seems to be of the view that the problems related to agriculture are limited to certain aspects of agricultural production, resulting in low productivity, and therefore while seeking remedies, any serious reconsideration of the policies related to agriculture is carefully avoided.

The National Development Council recently had a one-day special session to discuss the problems afflicting agriculture and their solutions. The Resolution adopted by the National Development Council reflects the tension of ideas at the policy level with regard to agriculture. On the one hand the Resolution speaks about the need to step up public investment and increase the acreage under foodgrains production, especially wheat, rice and pulses. On the other hand it also talks about facilitating contract farming by corporates. The rhetoric on increasing public investment, moreover, has not been matched by outlays. The Prime Minister announced an additional budgetary support of Rs. 25,000 crore for agriculture under the Eleventh Five-year Plan, which implies additional funds of approximately Rs. 10 crore per year for the 600 odd districts in the country over the next five years. This is a pittance compared to what is required in order to contend with the present agrarian crisis. Moreover, the NDC Resolution makes no mention of price support, tariff protection, procurement operations and the public

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\* This is an abridged version of the First Godutai Parulekar Memorial Oration, delivered in the University of Mumbai on August 4, 2007.

distribution system. In other words, there is no attempt to reverse the policy of the withdrawal of the state from protecting and promoting peasant agriculture.

The Government is obsessed with a growth rate target of 4% for agriculture during the Eleventh Plan period. The achievement of this growth rate under the Eleventh Plan is suspect, given the fact that policies are going to remain broadly the same as under the Tenth Plan and the meagre increase in public investment that has been envisaged. However, the basic problem lies in the restricted focus on the growth rate itself. This reflects a technocratic and flawed approach; as if achieving 4% growth rate in agriculture would also signal the end of the agrarian distress. This growth fetishism, which pervades the Indian policy establishment today, precludes any discussion or critical analysis of the growth process. It pre-empts questions like what is the impact of that growth on the different social classes, like the small and marginal farmers or the agricultural labourers. This also shows unwillingness on the part of the Government to recognize the depth of the agrarian crisis and the catastrophic impact it is having upon the lives and livelihoods in the rural areas.

#### MAJOR ASPECTS OF THE AGRARIAN CRISIS

The Government is yet to comprehend the real picture of the current agrarian situation in India. The agrarian crisis being experienced today is an unprecedented and all encompassing phenomenon. All sectors in agriculture and sections among the peasantry are affected by the deepening agrarian crisis. The poorer sections among the peasantry, especially the small and marginal farmers and the agricultural labourers, who constitute the vast majority of the Indian population, are the worst sufferers.

#### *Unviability of Agriculture*

The most important aspect of the agrarian crisis is that agriculture has become unremunerative and is increasingly becoming unviable for the bulk of the peasantry. A Situation Assessment Survey of Income, Expenditure and Productive Assets of Farmer Households conducted by the National Sample Survey Organisation between January and December 2003 showed that 96.2% of the farmer households surveyed, owning less than 4 hectares of land, had incurred monthly consumption expenditure in excess of their average monthly income from all sources. Only the top 3.8% of the farmer households earned enough to meet their monthly consumption expenditure; the rest were in a deficit.

The Survey year of 2002-03 was a drought year and therefore the figure may reflect the acuteness of the distress of that particular year. However, the fact that such a large majority of the farmer households had an income deficit vis-à-vis their consumption expenditure speaks volumes about the situation on the ground. Moreover, the net investment in productive assets for over 85% of farmer households was below Rs.150 per household and the average for all farmer households was a paltry Rs.124.<sup>1</sup>

What has caused this squeeze in farm incomes? Spiralling input prices on the one hand and highly volatile output prices, influenced by international trends rather than domestic output, on the other. Output prices no longer cover costs of production in the case of a significant number of crops in several regions. The problem is most acute for those cash crops where public procurement operations are non-existent or weak. In the

case of other crops also, the situation is not much different because the procurement operations themselves have been run down and minimum support prices are not available to farmers during the harvest time.

The terms of trade also turned against agriculture during this period. The document prepared by the Planning Commission for the consideration of the National Development Council held recently, titled *The Agricultural Strategy for the Eleventh Plan – Some Critical Issues*, admitted these facts. It says:

An important reason for recent farm distress was that farm prices fell even as farm production decelerated. After improving steadily from 1980 to 1997, the terms of trade turned against agriculture between 1999 and 2004 and reduced profitability of farming quite sharply. This occurred partly because domestic food demand slowed down and partly because Indian farm prices became more aligned with corresponding international prices at a time when world commodity prices were on the decline. Moreover, farmers are now subject to greater price risk since variability of world prices is much higher.

Because of the unviable nature of cultivation, peasants are finding it difficult to continue in agriculture. The 59<sup>th</sup> Round of the National Sample Survey revealed that 40% of the farmers surveyed wanted to quit farming if given an option. As a result of the agrarian distress, the peasantry – particularly the poorer sections – are increasingly being forced to sell their assets including land and livestock. This is leading to a higher incidence of landlessness. The NSS 59<sup>th</sup> Round on Land and Livestock conducted in 2002-03 estimated that the proportion of landless households at the all-India level was 32%. This was around 22% during the 48<sup>th</sup> Round Survey in 1992.

#### *Stagnation in Agricultural Production*

An important feature of the present agrarian crisis is of course the sharp deceleration in the agricultural growth rate and stagnation in agricultural production. The Planning Commission's document *The Agricultural Strategy for the Eleventh Plan* shows that the agricultural GDP growth declined from 3.62% during 1984-85 to 1.85% during 1995-96 to 2004-05. The state wise trends indicate that the larger declines in agricultural growth have occurred in states that are predominantly rain fed.

The most disturbing feature is the stagnation in the production of food grains, which has resulted in a decline in the per capita production of food grains. The per capita annual production of cereals has declined from 192 kg in 1991-95 to 174 kg in 2004-07 and pulses from 15 kg to 12 kg. This implies that per capita food grains production is now at the level of 1970s. Available data on fruits and vegetables production also suggest that there is a sharp deceleration in recent years. National Horticultural Board data shows growth slowing from 5.5% per annum during the 1990s to 2.5% during 2000-01 to 2005-06.

#### *Dwindling Opportunities of Livelihood*

While growth in agriculture, which employs bulk of the workforce, has experienced a deceleration, the growth in the services and industrial sectors have been 'jobless'. Far from absorbing surplus labour from agriculture, this pattern of growth has accentuated

the dualism that has always existed in India. Inequalities and disparities have widened between social classes, urban and rural areas as well as different regions of the country.

While the agricultural growth rate decelerated from 3.27% during 1990-91 to 1999-00 to 1.74% during 1999-00 to 2004-05, the non-agricultural growth rate was 7.25% and 7.04% in the corresponding period.<sup>2</sup> Non-agricultural growth has accelerated since then while agricultural growth continues to languish. The share of agriculture and allied activities to GDP had fallen from around 28% in 1993-94 to 20.8% in 2004-05 according to the Annual Reports of the RBI. In this backdrop of a declining share of agriculture in GDP, however, the proportion of the workforce employed in agriculture continues to remain very high. The NSS 61<sup>st</sup> Round on *Employment and Unemployment Situation in India, 2004-05* estimates the proportion of the workforce employed in agriculture and allied activities to be around 58.5%. This was around 62% in 1993-94. This implies that economic growth experienced over a decade, has not translated into real per capita income growth for the bulk of the workforce employed in agriculture. This pattern of growth is clearly skewed against the rural population.

Aggregate employment growth in the rural areas had fallen from 2.03% during 1987-88 to 1993-94 to 0.66% during 1993-94 to 1999-00.<sup>3</sup> The 61<sup>st</sup> Round of NSS shows some increase in the rural employment growth rate to 1.97% during 1999-00 to 2004-05. However, this increase has been accompanied by a decline in the labour force participation rate (LFPR) among the youth (15-29 age-group) and an increase in the LFPR among older age groups. Moreover, there has also been a sharp decline in wage employment and a concomitant increase in the share of self-employment. While agricultural self-employment growth was 2.89% during 1999-00 to 2004-05, agricultural wage employment experienced a negative growth rate of 3.89%. There has been some shift in the employment pattern away from agriculture among rural males but not among females, and the shift of male employment in rural areas has not been into manufacturing activities; it is mainly into construction and trade, hotels and restaurants.

Real wages for male workers hardly grew during 1999-00 to 2004-05, while the real wages for female workers experienced a sharp decline. The NSS 61<sup>st</sup> Round also reports that around 49% of rural self-employed workers, who comprise nearly 60% of the entire rural workforce, perceived their self-employed activity as unremunerative. Unemployment on the current daily status basis was upto 8% for rural males and 8.7% for rural females. Disturbingly, unemployment among young persons, i.e. between 15-19 years and 20-24 years age group was much higher than the average rate of unemployment. The fact that 2.11 crore households from 200 districts demanded work at minimum wages under the NREGA in 2006-07 is an indicator of the extent of joblessness and distress prevailing in the rural areas.

### *Growing Indebtedness and Farmers' Suicides*

A direct outcome of the squeeze in farm incomes and dwindling employment opportunities has been a phenomenal rise in the level of indebtedness within the peasantry. The NSS 59<sup>th</sup> round Survey on *Indebtedness of Farmer Households* conducted in 2003 reported that 48.6% of farmer households were indebted. A similar survey in 1991 found only 26% of farmer households to be indebted. The incidence indebtedness was the highest in Andhra Pradesh where four out of five surveyed farmers were in debt followed by Tamilnadu with nearly three-fourths of farm households reporting

indebtedness. In Punjab, Kerala and Karnataka, the proportion was nearly two-thirds and in Maharashtra, Haryana, Rajasthan, Gujarat, Madhya Pradesh and West Bengal more than half of the farmers surveyed were in debt. The Survey further showed that moneylenders had emerged as the most significant source of credit for the indebted farmers, with 29% of farmers sourcing their credit from them. 12% of the farmers sourced their credit from traders of inputs and output. Only 56% of the farmers had taken loans from institutional sources like banks, cooperatives or the Government.

The continuing trend of farmers' suicides, currently being witnessed in the Vidharbha region of Maharashtra, is a sign of extreme despair and hopelessness of the peasantry plagued by repeated crop failures, inability to meet the rising cost of cultivation and rising indebtedness. According to unofficial figures, the number of suicides by peasants has gone up to more than 2 lakhs across the country since the mid-1990s. The proximate cause of such suicides is the inability to cope with the burden of debt, which peasants are unable to repay. In most cases, the debts are contracted to private moneylenders, as the massive decline in agricultural credit from banks and cooperatives has reduced access especially of small cultivators to institutional credit. Further, large numbers of farmers have no access at all to formal credit and are forced to rely entirely on private lenders. The reason why the debt relief packages announced by the Prime Minister have not worked is because it only touches the surface of the problem. While debt relief is absolutely necessary, and that too in a more effective and institution-alised form like the Farmers' Debt Relief Commission set up in Kerala through a legislation passed in the State Assembly, suicides by peasants cannot be halted without addressing the underlying agrarian distress.

#### *Agrarian Distress in Maharashtra*

Maharashtra has also been witnessing agrarian distress and suicides by farmers over the past few years. A report by a research team from the Tata Institute of Social Sciences on farmers' suicides in Maharashtra estimated that 644 farmers committed suicides between March 2001 and December 2004.<sup>4</sup> Journalist Dionne Bunsha of the Frontline reports that there have been another 1200 suicides in the State between June 2005 and June 2007. Most of these suicides have occurred in the districts of Yavatmal, Amravati, Buldhana, Akola, Washim and Wardha. The cotton belt of the Vidharbha region is particularly affected.

The TISS Report concluded that there exists a general crisis of credit in the agrarian economy of Maharashtra. The small and medium farmers have been particularly affected by the crisis and pushed into a debt trap. The report says: "The resultant debt trap is due to the inadequate credit supply to the cultivators at an affordable price and due to the rising costs of production that cannot be met". Elaborating upon the problem of output prices not meeting costs of production the Report says: "Not a single support price for the last 10 years has met the cost of cultivation, except sugarcane for 2 years...all the crops are being cultivated at a loss to the cultivators. The loss varies from 38% at the minimum to 50% at the maximum. The exception is sugarcane where the loss is minimized at 12%". The TISS Report also indicted the State Government by saying: "The attitude of the government may be described as starkly apathetic. This is demonstrated by the fact that almost 80% of the victims have not received any kind of compensation from the government."

The two main cash crops in Maharashtra – cotton and sugarcane – are facing unprecedented crisis due to the policies of the Government. Under the WTO regime, the Government has been more keen on serving the interests of the textile magnates, allowing huge imports of cotton by keeping customs tariff rate as low as 10%. The State level Cotton Monopoly Procurement Scheme has collapsed and private traders are exploiting the cotton farmers. Before the last assembly elections the ruling alliance in Maharashtra had promised to raise the support price of cotton to Rs. 2700 per quintal if voted to power. Now they have reduced the support price of cotton to Rs. 1750 per quintal. Moreover, the non-payment of farmers' dues also compels the farmers to depend on usurious moneylenders and dishonest traders. Higher support prices for cotton and higher customs tariff on cotton imports would have gone a long way in ameliorating the crisis faced by cotton farmers in Maharashtra, instead of the cosmetic debt relief package announced by the Prime Minister.

Sugarcane farmers have also been denied fair prices for their produce by the State Government under pressure from the sugar barons. Their arrears are not being paid. Farmers as well as the workers in sugar mills are being made to pay the price for the corruption and mismanagement of the sugar barons and their crony politicians. All these point towards the fact that policies of the Governments, both at the Centre as well as the States, have a major role in precipitating the agrarian crisis and its persistence.

#### THE AGRARIAN SITUATION IN INDIA: AN OUTLINE

The deepening agrarian crisis experienced in India today is not unrelated to the skewed nature of capitalist development witnessed during the post-independence period. Development of capitalism in Indian agriculture was never based on a resolute destruction of the traditional land relations; it was superimposed on a swamp of pre-capitalist production relations and forms of social organisation. The development of the “modern” was accompanied by the continued existence of the archaic. This is also a major factor in the continuance of caste and gender oppression.

#### *Agrarian Reforms Unfinished*

The agrarian reforms implemented by the Congress Governments, after independence, tried to transform feudal landlords into capitalist landlords and develop a stratum of rich peasants. Legislative measures to abolish statutory landlordism permitted payment of huge compensation to landlords and allowed them to keep vast tracts of lands. Provisions for the right of resumption in tenancy laws led to eviction of millions of tenants. The land reform laws passed by the Congress governments have not protected the interest of tenants, agricultural workers and other poorer sections. Instead of implementing land reform measures and providing facilities for increasing productivity and production for the mass of the peasantry, successive governments at the Centre and in most States relied on landlords and richer sections and their ability to make investments for agricultural growth.

This became the major feature of the ‘Green Revolution’ since 1960s, during which widening class and regional inequalities accompanied growth in agriculture. Assets such as land, agricultural implements, vehicles and transport equipments, pump sets, tube wells and other machinery remained concentrated in the hands of landlords and

rich peasants in most parts of India. So were financial assets, including access to institutional credit. This skewed distribution of assets enabled the richer sections to garner the benefits of productivity and production increases in the rural economy.

It was only in the States where Left-led Governments came into office that thoroughgoing land and tenancy reforms were implemented. Using the limited powers of the State Governments and backed by massive mobilizations of the peasantry under the Kisan Sabha, the Left-led State Governments of Kerala, West Bengal and Tripura could break the back the back of landlordism by vesting ceiling surplus land and redistributing it among the landless. Sharecroppers were also provided security of tenancy rights through legislation. Political power was wrested away from the rich peasants by the small and marginal farmers and agricultural labourers through the establishment of three-tier panchayat system. However, the situation in the other States did not change much, as far as the agrarian relations are concerned.

### *State-Sponsored Capitalist Development*

While land reforms were never sincerely implemented in most parts of India, the Government did succeed in bringing about some improvement in agricultural production through state intervention. The post-independence period of capitalist development in India can be broadly divided into two phases – the state-sponsored phase of capitalist development from 1947 till 1990 and the post-liberalisation phase of capitalist development starting from 1991.

During the phase of state-sponsored capitalist development, the Government did make substantial investments in the expansion of irrigation, power, science and technology, transport, communication, storage facilities and so on. Public investments in science and technology helped to develop high-yielding seeds and to produce agricultural implements for increasing productivity and production. The Government also provided subsidies for the purchase of agricultural inputs like fertilizers. The Minimum Support Price mechanism was introduced to protect the interest of the farmers in the case of major crops. The Public Distribution System was also built in order to provide essential commodities at affordable rates to the masses. Government also took steps to expand credit facilities. Bank nationalization and the introduction of priority sector lending norms witnessed a marked rise in the flow of credit to agriculture.

During this phase, priority was given to increasing agricultural output in order to attain self-sufficiency in foodgrains production. External trade in agricultural commodities was limited with several restrictions imposed on import and export of agricultural commodities, including quantitative restrictions, in order to protect the domestic market. It was not that this phase of capitalist development was necessarily benign. The major share of the benefits of the state-sponsored capitalist development was appropriated by landlords, rich peasants and other privileged classes. Neither could such a development trajectory make a significant dent in mass poverty and unemployment. Over time, the institutions of the state also degenerated because of corruption and manipulations by vested interests. However, it cannot be denied that this phase of development did succeed in achieving some degree of self-reliance, especially in food grains production.

### *Post-Liberalisation Phase*

The state-sponsored phase of capitalist development could not survive the weight of its inherent contradictions. Based as it was on pre-capitalist land relations, mass poverty and unemployment persisted limiting the purchasing power of the people. The limited growth of the domestic market could be substituted by running fiscal deficits only upto a point. With import liberalisation being introduced in the 1980s, the current account deficit started ballooning, setting the stage for a balance of payments crisis, which finally erupted in 1991. This provided the opportunity for the multilateral lending institutions, namely the IMF and the World Bank, to step in and replace the dirigiste development model followed in India till then with their free market model.

However, the advent of economic liberalisation in India was not entirely imposed from outside through the World Bank sponsored Structural Adjustment Programme. Indian big business and other privileged classes, which benefited during the phase of state-sponsored capitalist development and gained in strength and assets, expected to achieve more benefits under the liberalized regime. The international situation had changed quite drastically by then with the demise of the Soviet Union and the Socialist bloc. The Indian ruling classes saw in globalisation an opportunity to collaborate with foreign capital in order to further enrich itself and grab a share of the international market. India's official positions during the GATT negotiations reflected this changing perspective of the Indian bourgeoisie, which culminated in the accession to the WTO in 1994.

Central to the policies pursued by the Government during the post-liberalisation phase is the economic philosophy of the withdrawal of the state. State intervention has been consciously reduced in order to make way for the 'market', a euphemism for the dominant role for the private players, especially big business, in all spheres of the economy. It was argued by the proponents of liberalisation that freeing agricultural markets and liberalising external trade in agricultural commodities would provide price incentives leading to enhanced investment and output in that sector, while broader trade liberalisation would shift inter-sectoral terms of trade in favour of agriculture. A decade and a half later, the hollowness of these claims stand exposed.

### *Adverse Impact of Liberalisation*

The policies of the Government in the post-liberalisation phase have had direct and indirect adverse effects on agriculture and the peasantry. Deflationary fiscal policies, trade liberalisation, financial liberalisation and privatisation of important areas of economic activity and service provision had adverse impact on cultivation and rural living conditions. In terms of fiscal policies, the reduced spending of Central and State governments was the most significant feature. Due to the introduction of tax 'reforms', the tax/GDP ratio declined at Central level. Central transfers to State governments also declined. State governments were forced to borrow from the market at high interest rates. As a result, the levels of debt and debt servicing increased resulting in fiscal crises experienced by most State governments. Inadequate funds with the State governments for capital expenditures have adversely affected critical areas such as rural infrastructure, power, water supply, health and education.



Moreover, squeeze in real expenditure by the Central government on rural development and agriculture has slowed down employment generation in rural areas and led to declines in public investment in agriculture including irrigation, agricultural research and extension services. Cuts in subsidies on fertiliser, fuel and power have led to spiralling input costs in agriculture. Reduced coverage of the PDS and increase in food prices after the introduction of the Targeted PDS has had a substantial adverse effect on rural household food consumption in most parts of the country.

External trade in agricultural commodities have been liberalised, first through lifting restrictions on exports of agricultural goods, and then by shifting from quantitative restrictions to tariffs on imports of agricultural commodities. Trade liberalisation in agriculture accelerated from the late 1990s, in tune with WTO commitments, and import tariffs were reduced progressively. The single most adverse effect of trade liberalisation has been the combination of low prices and output volatility for cash crops. While output volatility increased especially with new seeds and other inputs, the prices of most non-foodgrain crops weakened, and some prices, such as those of cotton and oilseeds, plummeted for prolonged periods. This reflected not only domestic demand conditions but also the growing role played by international prices consequent upon greater integration with world markets.

Even as the uncertainties related to international price movements became more directly significant, protection provided to the peasantry by the Government through MSPs and import tariffs became weaker. In the absence of such protection, farmers had to operate in a highly uncertain and volatile international environment, effectively competing against subsidised corporate producers based in the developed countries, whose average level of subsidy amounted to many times the total domestic cost of production. Also, the volatility of such prices – for example in cotton – has created uncertain and often misleading signals for farmers. Cash crop farmers in States like Kerala have been particularly hit.

Financial liberalisation measures, including redefining priority sector lending by banks, effectively reduced the availability of rural credit, and thus made farm investment more expensive and more difficult, especially for small farmers. Credit-deposit ratios in rural areas have fallen drastically in the post-liberalisation period. Banks have moved away from crop lending and term lending for agriculture and the number of rural bank branches also got reduced. This caused a squeeze in institutional credit for the peasants who were forced to turn to private moneylenders as well as input dealers and traders.

Matters have got further aggravated with the entry of foreign and domestic corporates in agriculture. Thanks to the TRIPS agreement, bio-diversity, which has traditionally been the common property of farmers and local communities, is fast being transformed into the private property of the 'gene giants' like Monsanto, Syngenta, DuPont, Dow, BASF and Bayer. Not only are input costs rising, the possibility of farmers getting cheated by spurious inputs has also increased. There have been widespread complains from cotton cultivators in Maharashtra, Andhra Pradesh, Karnataka and Punjab that the Bt. Cotton plants are not turning out to be pest resistant.

There is also a concerted attempt to privatise common resources like water. In keeping with the World Bank recommendation of the creation of "markets in tradable water rights", the Deputy Chairman of the Planning Commission has already advocated water charges for farmers. Several State governments have also revised State level land

ceilings to facilitate contract farming by corporates. Such steps would pave the way for the eventual dominance of the agricultural input and output markets by MNCs and domestic corporates, which militates against the interests of the peasantry, especially small and marginal farmers.

The agrarian crisis being experienced in the country today is a result of the neoliberal policies pursued by the Central Government in the post-liberalisation phase. Through the withdrawal of state support to the peasantry, income deflationary fiscal policies, trade and financial liberalisation and allowing MNCs and domestic corporates to increase their dominance in input and output markets, the Government has created the grounds for the agrarian crisis. The problems plaguing the peasantry today; absence of remunerative prices for the produce, volatility in prices, repeated crop failures, rising cost of cultivation, inaccessibility of institutional credit, growing indebtedness and lack of alternative employment opportunities; are direct outcomes of neoliberal policies. Therefore, there cannot be any way out of the agrarian crisis other than reversing them.

#### “SECOND GREEN REVOLUTION”: A DISTORTED VISION

The UPA Government was formed in the aftermath of the defeat of the BJP led NDA Government in the Loksabha elections in 2004. The UPA Government, which was supported from outside by the Left Parties, adopted a National Common Minimum Programme. Addressing the issues of unemployment and agrarian distress were the key promises made in the NCMP. However, given the acuteness of the agrarian crisis and the extent of unemployment prevailing in India today, the expenditure that the UPA Government is willing to undertake in order to address these problems is woefully inadequate.

#### *A Comparison with China*

The inadequacy of resources committed by the UPA Government towards agricultural revival and employment generation can be better understood through a comparison with China. The total Plan expenditure in the UPA Government's Budget 2006-07 stood at a little over Rs. 170000 crore. Plan expenditure on agriculture, rural development and other infrastructure and social sector projects in the rural areas in India would be much less than that figure. In contrast, the Chinese Government had allocated \$ 42 billion to agriculture, rural areas and farmers in the first year of their Eleventh Five-year Plan (2006-2010) itself. In Indian currency at the exchange rate prevailing last year, it would have amounted to around Rs. 190000 crore.<sup>5</sup>

This huge expenditure is being undertaken in China to invest in rural infrastructure like roads, electricity and communications as well as education and healthcare besides providing farm support and subsidies, as a part of a policy to bridge their growing rural-urban divide. The 2006 Plan for National Economic and Social Development adopted by the National People's Congress of China in the second week of March 2006, has resolved to, "...build a new socialist countryside, promote agricultural development and raise farmers' incomes". As a means to attain this objective, grain production has been accorded top priority. China produces more than double the amount of foodgrains produced by India annually. For instance, its total grain production was 469.47 million tonnes in 2004 compared to only 198.4 million tonnes produced in India in 2004-05.

While foodgrains output increased by around 10 million tonnes in India for 2005-06, China experienced a growth of grain output of 14.5 million tonnes in 2005.

Despite this performance the Chinese Government has laid special emphasis on grain production because they realise its crucial importance in safeguarding the self-reliance of their economy. The principles laid down by their Eleventh Plan vis-à-vis grain production are: (a) steadily develop grain production, (b) improve the overall agricultural capacity and strive to maintain total grain output at last year's level, (c) strengthen land management, protect primary farmland and stabilize the acreage sown to grain, (d) step up development of large commercial grain bases and continue to implement the projects to industrialize production of high-quality grain crops, develop superior seed varieties and protect plants, (e) increase transfer payments to major grain-producing counties and counties financially strapped.

Moreover, regarding support prices their Plan document says,

We will continue to set floor prices for the purchase of major grain varieties in short supply in major producing areas to keep market grain prices stable. We will also improve the system for controlling and using grain reserves to regulate grain prices at both national and provincial levels and ensure adequate local reserves. [On farm subsidies the Plan states] We will increase direct subsidies to farmers for growing grain, subsidies for cultivating improved crop strains and subsidies for purchasing agricultural machinery and tools, and phase in a system of direct subsidies to grain producers for purchasing agricultural supplies, such as fertilizers and diesel fuel. We will tighten oversight and management of fertilizer prices and agriculture-related charges, curb price increases for agricultural supplies and lessen farmers' burdens.

The Chinese resolve to increase subsidies for their farmers, ranging from direct production subsidy and price support to input subsidies on fertilizer and fuel, stands in sharp contrast to the policy of 'rationalizing' subsidies being pursued by the UPA Government. The Finance Ministry has prepared a Report on Central Government Subsidies in India, which details the modalities of cutting down fuel, food and fertilizer subsidies. The vociferous critics of subsidies within the Indian policy establishment seem to be oblivious of the fact that the biggest proponents of 'free trade', the US and the EU, heavily subsidize their domestic agriculture. The present stalemate in the Doha Round of the WTO centres on the stubborn resistance by the US and the EU to restructure their agriculture subsidy regime. It is therefore surprising to see the keenness of the Indian policy makers in whittling down the meagre subsidies on food, fertilizer and fuel given in India, which provide some relief to the farmers.

The crucial difference between the vision which has prompted China to undertake their "new socialist countryside" policy and the Indian Prime Minister's vision of "liberalization with a human face" can be best understood in terms of the following resolution contained in the Chinese Plan:

We will adhere to the principle of giving more, taking less and lessening control and accelerate the establishment of *a permanent mechanism of getting industry to support agriculture and cities to support the countryside.*

If at all the UPA Government was serious about its "human face", it should have by now worked out mechanisms of getting Indian industry to support Indian agriculture and Indian cities to support the Indian countryside, in the backdrop of the acute agrarian distress. The necessary although not sufficient condition for such a mechanism

is for the Government to mobilize resources from industries and cities and transfer them effectively (i.e. without the leakages) to agriculture and rural areas at a scale much bigger than the tokenism displayed by the UPA Government so far.

### *Distorted Vision*

Far from reinvigorating the role of the state to bring about a turnaround in agriculture, underlying the frequent calls for a “Second Green Revolution” emanating from the Prime Minister is a vision of corporate driven export led agriculture. The move to amend the State level Agriculture Produce Marketing Committee Acts on the lines of the model APMC Act framed by the NDA Government and facilitates contract farming by corporates, is driven by this vision. The attempts to open up the Retail Trade sector to FDI, despite opposition from various sections of the people, also have similar inspiration. The UPA Government, while advocating the cause of FDI in Retail has argued that large quantum of foreign investment is required to develop modern supply chains in India, in terms of the development of storage and warehousing, transportation and logistic and support services, in order to meet the requirements of agriculture and food processing industries. It is in line with the same understanding that Warehousing has been opened up for FDI. However, it has never occurred to the Government that investment by the MNCs is neither the only way, nor the most desirable one, to build such infrastructure or upgrade technology. That can also be achieved by increasing public investment in these areas.

The pitfalls of relying upon an agrarian development strategy driven by food retail chains and giant agribusinesses have already become clear through the experiences of several developing countries in South East Asia and Latin America. Farmers face myriad problems related to depressed prices due to cutthroat competition among the food retailers, delayed payments and lack of credit and insurance. Small horticultural farmers are elbowed out of the market by the multinational retailers by setting arbitrary quality and safety standards.

While the carrot of access to international markets is being dangled before the Indian farmers today, what is being concealed is the experience of primary commodity exporters of the developing world. International market access available to the global retail chains have nowhere benefited the producers from the developing countries since the latter are unable to secure a fair price for their produce in the face of enormous monopsony power wielded by the multinational giants. The growth of global supply chains have only ensured enhanced profit margins for the multinational retailers. The terms of trade for producers in developing countries, especially for the primary products, have been worsening steadily even as agricultural exports have risen in volume. Mexico offers a classic case where massive increases in horticulture exports in volume terms have not translated into any benefit to the farmers due to sharp decline in the unit value of exports and the control exercised by the US based agribusinesses.

The UPA Government’s agenda of further exposing the already crisis ridden Indian agriculture to the vagaries of the international market goes beyond the possibility of its agreeing to another round of tariff cuts in the WTO. In the name of a “Second Green Revolution” it is seeking to unleash an agrarian regime dominated and controlled by foreign and domestic corporates in an unprecedented manner. The Seeds Bill piloted by the Ministry of Agriculture seeks to subvert the seed rights of the farmers and facilitate

monopolization of the seed business in the hands of the multinational seed companies. The “Indo-US Knowledge Initiative on Agricultural Research and Education” was launched during the US President George Bush’s visit to India. It has not only empowered Wal-Mart and Monsanto to dictate the agenda of agricultural research in India but has also ensured that such research will be largely funded by the US based MNCs and therefore tied to the stringent Intellectual Property regime of the US.

### *Wheat Imports*

After a gap of many years, large-scale imports of wheat have resumed under the UPA regime. The necessity of wheat imports has arisen because of a total mismanagement of the food economy. Wheat stocks had reached an all-time high level of 411 lakh tonnes in July 2002 against the stipulated level of 143 lakh tonnes. The NDA Government, which could have utilized the huge wheat stocks to increase the purchasing power of the poor by embarking upon a massive employment generation programme and bring down wheat prices in the PDS, did neither. It rather ran down the stocks in a hasty and scandalous manner by allowing the FCI to release surplus stocks to private exporters at or below the BPL issue prices. Due to this, the exports of wheat from India registered four and a half fold increase.

In keeping with the same neoliberal prescription of reducing food subsidy and scaling down public procurement, the UPA Government allowed domestic corporates like the ITC and MNCs like Cargill to procure wheat directly from the farmers. With private players cornering wheat stocks, the Government could procure only 90.2 lakh tonnes against the procurement target of 160 lakh tonnes of wheat last year. To meet the procurement gap the Government imported wheat at prices much higher than the minimum support price paid to the Indian farmers. In the process it not only helped foreign agribusinesses but also big Indian players by reducing the import duty on wheat to zero per cent. Such generosity shown towards private players, besides being unjustifiable, also failed to bring down wheat prices.

It was not the failure of production but the failure of public procurement that allowed domestic wheat output to be procured by private players and exported out of the country while the Government had to eventually import wheat to meet the shortfall in its own procurement. This is nothing but sheer mismanagement of the food economy. The import of wheat has other serious implications. The Government has already come under pressure from the US to import wheat from there and dilute India’s phytosanitary norms in order to facilitate that.

Despite this pathetic experience last year the UPA Government seems to have learnt no lesson. The same mismanagement was repeated this year too when the Government eventually imported wheat at almost twice the price that it paid to the Indian farmers. Moreover, a loss of over Rs. 500 crore was caused to the national exchequer due to wrong expectations by the Government regarding wheat prices in the international market. Allowing the private companies to make aggressive bids to corner wheat stocks has led to a situation where the public procurement system is increasingly getting marginalized. It would serve the interests of the country better if procurement of foodgrains at remunerative prices to farmers were ensured through public agencies, which would also fulfill the food security needs of the country.

## *Inflation and PDS*

The recent experience of high inflation, led by spiralling prices of essential commodities have underscored the dangers of relying upon private players in the procurement and distribution of such commodities, especially food. The UPA Government is showing reluctance in reversing the policy decisions of the NDA Government like diluting the Essential Commodities Act, allowing speculative futures trading in essential commodities and permitting unrestricted hoarding and movement of essential commodities. This reluctance is yet another evidence of its inclination towards neoliberalism, which considers private profiteering to be perfectly legitimate at all times, even if it comes at the cost of peoples' livelihoods.

It is often argued that a substantial portion of foodgrains allocated for the PDS are diverted to the open market, that the food subsidy does not reach the poor and that the PDS system is non-functional in most parts of the country. All this may be true. However, what the PDS needs is a drastic overhaul in order to strengthen it and not destroying it through deliberate neglect and whittling down of food subsidy. The demand for universalisation of the PDS, endorsed by several official committees, has gained urgency in the current backdrop of the sharp increase in prices of essential commodities. The recent National Family Health Survey has also shown the deteriorating nutritional status of large sections of our people, especially women and children. The least that the Government should do is to expand the coverage of the PDS and provide essential food items at subsidized prices to the poor. This would also entail higher public procurement, by increasing the MSP if necessary. All this requires an increase in food subsidy.

### THE WAY OUT OF THE AGRARIAN CRISIS

The way out of the agrarian crisis has to be based on an alternative approach towards economic decision making in general and agriculture in particular. The alternative approach should aim to protect peasant agriculture from the catastrophic consequences of integration with global capitalism and promote it through deliberate interventions by the state. Corporate agriculture cannot provide a way out of the agrarian crisis.

#### *Protect and Promote Peasant Agriculture*

The alternative approach should focus on the conditions of life of the agriculture-dependent population. It should see the agrarian crisis not only in terms of a deceleration in output growth per se but also in terms of the crisis of the peasantry and agricultural labourers. It should focus upon the production conditions from the point of view of the agrarian classes rather than the size of the basket of commodities produced by them.

The present agrarian situation is the cumulative effect of the policies of liberalisation and the skewed nature of capitalist development experienced in the earlier phase of post-independence development. The primary reason for the crisis, the unviable nature of agriculture, is due to the decline in output prices and the rise in input costs. The de facto withdrawal of the banking sector from its commitment to provide agricultural credit has forced the peasantry to turn to moneylenders for their loans at usurious rates

of interest, often leading to debt traps and debt-driven suicides. The opening up of the agricultural market has exposed the peasantry to the extreme volatilities of world prices, including steep slumps. The terms of trade has also turned against agriculture. The progressive winding up of government extension services and the dismantling of State Seed Corporations have pushed the peasantry into the lap of the private profiteers. All these policies need to be reversed.

Peasant agriculture depends heavily on the support of the state for its survival and growth. The state should therefore make greater investments in irrigation, electricity, science and technology, rural development and social sectors like health and education in rural areas. The state also should actively intervene to provide debt relief measures, provide interest subvention to ensure institutional credit at low rates of interest, extension services and good quality inputs at affordable prices. Most importantly, the state should ensure remunerative prices for agricultural crops by expanding procurement operations on the basis of MSP to all regions and crops, backed by an appropriate tariff policy.

Without ensuring remunerative prices backed by procurement operations, it is not possible either to increase agricultural production or to make Indian agriculture internationally competitive. Increasing foodgrains production should be prioritised, both by bringing more acreage under food production as well as productivity enhancements through scientific and technological developments, irrigation and better water management. The FCI should be strengthened and the universal PDS restored. Firm steps have to be taken to check corruption and leakages in the public procurement and distribution machinery.

All this would of course require massive doses of public expenditure, much beyond the Rs. 25000 crore envisaged in the Eleventh Five-Year Plan. Resources have to be mobilized for such public expenditure, by taxing the rich. In a context where millions of Indians are reeling under the impact of the agrarian distress, a handful of persons earning billions of rupees through speculative capital gains in the stock market without having to pay any long-term capital gains tax is simply unacceptable. Neither is it justifiable to provide over Rs. 1 lakh crore as annual tax exemptions to the corporates.

It is also necessary to take appropriate measures for value addition and diversification in agriculture without endangering food security. Agriculture has to be modernised to reduce the drudgery of peasant life and to make it an attractive occupation for the younger generation. However, if all these measures are carried out within the framework of corporate farming, it will lead to unemployment and destitution. But they can be carried out within the ambit of peasant agriculture through the development of collective or group farming aided by the state and strengthening other forms of peasant cooperation. In order to make such cooperation successful, land reforms is necessary in order to create a more homogenous class of peasants who can cooperate among themselves without any danger of one section dominating and exploiting another. This is the only way of protecting and promoting peasant agriculture. This was the vision underlying the freedom struggle as well as the model of agrarian reform in the early years after independence. While the successive Governments have failed this vision, that has not robbed it of its relevance and vitality.

The bound levels of customs tariffs on agricultural goods in the WTO should not be further reduced. Pressure from the developed countries for greater market access for

their agribusiness companies should be withstood firmly. An automatic and transparent policy of variable tariffs on both agricultural imports and exports linked to the deviation of spot international prices from their long-run desired domestic trends should be worked out. This can provide some protection to farmers from sudden surges of low-priced imports, and consumers from export price surges. Such a policy would prevent delayed reactions to international price changes, which allow unnecessarily large private imports. It would therefore allow for some degree of price stability for both producers and consumers, which is important especially in dominantly rural economies like that of India. Support should be mobilized from developing countries for adopting such a tariff policy within the WTO.

### *Improve Livelihoods of Agricultural Workers*

The issues of the agricultural workers should be addressed appropriately. The Government should come forward to ensure minimum wages, equal wages for men and women for equal work, better service conditions, social security like pension, welfare fund, health insurance, compensation and supply of essential commodities through the PDS for the agricultural workers. Agriculture cannot be sustainable if 40% of the workforce suffers from insecure and poor working conditions and live in poverty.

Purchasing power of the agricultural workers has to be increased through remunerative non-agricultural employment. The National Rural Employment Guarantee Act, if implemented properly has tremendous potential of absorbing labour reserves in the rural areas, ensuring livelihood security and creating productive assets. However, the approach of the UPA Government towards the NREGA has been half-hearted. The scheme has so far been implemented in 330 out of the 600 odd districts only. Outlays have been inadequate and not higher than what used to be provided earlier for the myriad employment programmes, which preceded the NREGA. The NREGA need to be expanded to all the districts of the country and eventually transformed into a Constitutional guarantee of the Right to Work.

Most importantly, the unfinished tasks of land reforms in most States should be taken ahead by breaking land monopoly, vesting ceiling surplus land and redistribution of land among the landless households. Alongwith thoroughgoing land reforms, the panchayati raj should also be freed from the stranglehold of the rural elites as well as casteist and communal elements and transformed into a vibrant institution of democratic decentralization. As Lenin had said, "The peasantry wants land and freedom."<sup>6</sup>

### *Ensure Rapid Industrialisation*

Rapid industrialization is in the interest of the peasantry. In a labour surplus economy like ours, economic development necessarily entails a shift in the proportion of workforce from agriculture to industry and services. It is only through industrialisation that the unemployed and underemployed labourers in the rural areas can be absorbed in gainful employment and an under-developed economy can come out of backwardness and poverty. The real problem for the Indian economy today, as it has been since independence, is inadequate industrialisation. The recent employment trends reflect a growth in tertiary employment and that too of the self-employment variety. The



proportion of workforce dependent upon agriculture continues to remain at a high level, almost 60%. Any talk of an ongoing Lewisian transformation in the Indian economy, which has been suggested by some scholars, is not only premature but also erroneous. A Lewisian transformation is not merely a shift from agriculture to non-agriculture but also from a low productivity/low wage 'traditional' sector to a high productivity/high wage 'modern' sector. A distress driven shift from agriculture to an informal job in the unorganised sector cannot be conceived as a shift from the traditional to the modern. It amounts to a reproduction of backwardness and perpetuation of dualism.

In order to shift surplus labour from agriculture to non-agriculture, what is required is growth of labour intensive activities in the non-agricultural sector, both in industry as well as services. That requires a growth process, which is fundamentally different from the export market oriented, corporate led jobless growth that we are witnessing in India today. Employment intensive manufacturing growth requires an industrialization process where besides capital intensive big industries; which are essential to provide the necessary backward and forward linkages to any process of industrialization; small, medium and micro-enterprises come up in a big way both in urban as well as rural areas. This would entail significant and multifaceted state support and intervention, including massive capital investment by the Central Public Sector Units. A sustained expansion of the domestic market through increase in the purchasing power of the masses and availability of cheap credit is also essential for such industrialization.

#### *Land Acquisition and Land-Use Conversion*

The question of land acquisition and conversion of agricultural land for non-agricultural use has been a matter of political as well as intellectual debate in recent times. As far as the present Land Acquisition Act is concerned, it was enacted during the colonial period and has become a misfit in the current Indian setting and needs to be amended in order to make it congruent with an independent and democratic state. This has to be done by properly defining 'public purpose' and making the 'eminent domain' accountable and open to public scrutiny. Besides, a National Rehabilitation Act needs to be adopted by the Central Government so that displaced people are legally entitled to a share of the development that causes displacement. It has to be ensured that the displaced persons are in no way rendered worse off in the post-displacement situation and their livelihood security guaranteed. Compensation and Rehabilitation must be integrated into project planning and implemented in a time-bound manner in order to avoid the adverse socio-economic impact of land acquisition and land use changes.

While determining compensation for land, in case of land acquisition for a project after due consultation and consent, replacement value at the operative market rates should be the basic principle in cases where the land for land principle is not found feasible after due consideration. Under no circumstances should depreciated value be paid. Lost livelihoods and homesteads should be compensated and amenities and assets for basic needs provided to the landless and sharecroppers as well. Rehabilitation must precede displacement. The Affected Persons should get employment in the project for which they are being displaced. The responsibility of imparting appropriate skills in order to make them employable should lie with the promoters of the project. Apart from livelihood opportunities, the Affected Persons should also get a share of the specific

benefits arising out of projects, like for instance equity stakes in the company undertaking the project.

As far as conversion of agricultural land for non-agricultural use is concerned, the question has to be approached from two perspectives: one relates to food security and the other land-use planning. From the point of view of food security, conversion of fertile agricultural land should be avoided as far as possible. Conversion of agricultural land for urbanisation or industrialisation, if unavoidable, should be done in a planned manner in order to prevent reckless real estate development and land speculation, which was witnessed recently on a countrywide scale in the case of Special Economic Zones. The irresponsible and shortsighted decision of the UPA Government to grant approvals for over 400 SEZs in the country within a matter of months was mainly responsible for the real estate bubble, which was built around SEZs.

Land acquisition by the State governments should be in consonance with their optimal land use plans based on principles of equity, sustainability, food security and balanced economic development. There is a view, however, that land acquisition should be left entirely to the market forces and the state should stay out of it completely. This implies that corporates would be allowed to purchase land directly from the farmers. This is a flawed view since it ignores the fact that land ownership patterns vary greatly across the country and many more persons are dependant on land other than landowners whose interests cannot be protected without the intervention of the state in land acquisition for large projects.

For a developing country like India, development of agriculture and industrialisation are both essential. There is no justification in pitting one against the other. Planned, balanced and harmonious development of industry and agriculture is essential for employment generation and economic development.

#### CONCLUSION

Godavari Parulekar fought for the cause of the adivasis and the peasantry inspired by a vision of independent India where economic sufferings and exploitation of the poor people would be eliminated. While paying homage to her memory, let us pledge to strengthen the struggle of the Indian peasantry in overcoming the present agrarian crisis.

#### NOTES

<sup>1</sup> See Utsa Patnaik's paper *The Question of Employment and Livelihoods in Labour-surplus Economies* presented at the JNU-IAS National Conference on "Making Growth Inclusive with special reference to employment generation", June 28-29, 2007, New Delhi. The paper is available at: [http://www.macrosan.com/spfea/jun07/PDF/Utsa\\_Patnaik.pdf](http://www.macrosan.com/spfea/jun07/PDF/Utsa_Patnaik.pdf)

<sup>2</sup> See paper by C.P.Chandrashekhkar titled *The Progress of "Reform" and the Retrogression of Agriculture*, *Social Scientist*, 35 (1-2), 2007 (January- February).

<sup>3</sup> See paper by Jayati Ghosh and C.P.Chandrashekhkar titled *Recent Employment Trends in India and China: An Unfortunate Convergence?*, *Social Scientist*, 35 (3-4), 2007 (March-April).

<sup>4</sup> This Report titled *Causes of Farmer Suicides in Maharashtra: An Enquiry* based on field surveys by a research team from TISS was submitted to the Mumbai High Court in March 2005.

<sup>5</sup> See Prasenjit Bose's article *The Poverty of Economic Philosophy: A Critique of the UPA Government's Economic Policies*, *The Marxist*, Volume XXII, January-March 2006.

<sup>6</sup> See Lenin's *Proletariat and the Peasantry*, *Collected Works*, Vol. X, Progress Publishers, Moscow.