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Some Notes on the Current Agrarian Scenario

1. The Note by Com V.K. Ramachandran (hereafter, VKR) is comprehensive and covers a vast territory. I shall not go over the ground covered in VKR's Note. Instead, I shall add a few observations.

2. Let me begin by saying that I am in complete agreement with VKR's Note. It is especially important to underline that, despite the severe features of the continuing agrarian crisis, it must be understood that the agrarian scenario across the country is far from being undifferentiated or uniform in character.

3. Capital accumulation is occurring in the agrarian sector, and not all of it can be seen only as 'primitive accumulation'. There are strata of the agrarian population obtaining surpluses, investing these surpluses in agriculture and elsewhere, and accumulating more land as well as modern means of production. The use of machinery in agriculture has continued to grow and there has been considerable displacement of labour. While the pace of these processes has no doubt slowed during the period of neoliberal reforms, the processes have not come to a grinding halt. In fact, it can be plausibly argued that there are distinct phases within the neoliberal period during which the performance of the agrarian economy has varied.

4. It would be broadly correct to highlight the negative implications of neoliberal policies for the agrarian and rural economy in terms of:

- ~ Cuts in input subsidies resulting in a rise in the cost of production
- ~ Opening up of the agricultural sector to a flood of imports from the late 1990s, with removal of quantitative restrictions and tariffs held well below our bound rates
- ~ Financial liberalization reducing the quantum and raising the cost of institutional credit to the peasantry, resulting in the strengthening of usurious money lending
- ~ Cutbacks in rural development expenditure in relative terms leading to weakening both demand in the rural economy and the infrastructure necessary for agricultural growth in terms of research and extension support, irrigation facilities, energy and transport
- ~ The deliberately engineered collapse of the public distribution system in large parts of the country

5. However, with all this, the agrarian economy has seen pockets of growth in terms of classes, crops and regions. It is of course difficult, in the absence of reliable data at disaggregated levels, to bring out in detail the variations across both time and space. Enough evidence has emerged from the PARI studies and some others to suggest that, along with pauperization and immiserisation, differentiation has also been a continuing feature of the agrarian economy. To say this is not to minimize the enormity of rural deprivation or ignore the fact of huge agrarian distress leading to farmers' suicides on a massive scale.

6. It is important to keep in mind that the agrarian or rural economy is now linked to the non-agrarian and non-rural sectors to a far greater extent than was the case decades ago. To the extent that there has been some growth of productive forces in the rest of the economy, it is bound to have some impact on the agrarian and rural economy as well. Even along side predatory forms of accumulation, there has been generation of surplus in the economy and its partial investment in productive activities. Domination by finance capital over policy making cannot be understood to mean the absence of growth of productive forces and of all capitalist accumulation.

7. Let me now move on to some aspects which have been mentioned in the Note by VKR but not dealt with in detail. I shall

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briefly go over the following issues, using a power-point presentation, in the rest of this Note:

- ~ Indo US Knowledge Initiative in Agriculture
- ~ Seed Policy and Seed Bill
- ~ Futures Trade and Prices
- ~ Fertiliser Policies
- ~ Results from a Resurvey in Tamil Nadu

8. The India US Knowledge Initiative in Agriculture (KIA), initiated during the Bush visit in 2006, is far more important than its modest three-year budget of rupees 350 crores suggests. The KIA envisages four broad areas of work:

- ~ Human Resources and Institutional Capacity Building
- ~ Agri-processing and Marketing
- ~ Emerging Technologies
- ~ Natural Resource Management

9. Behind the apparently innocuous areas identified for 'cooperation' lies a serious intervention by the US meant to alter the structure of not just the national research system in agriculture but the whole of India's regulatory system as it pertains to agriculture. The composition of the Board of KIA, in which the agribusiness giants Monsanto and Daniel Archer Midlands and the retail giant Wal-Mart are present as are the representatives of Indian big business, but no representative of farmers is, gives a fair idea of its agenda. This is further confirmed by the views of the India US Joint Business Council. The rhetoric of a Second Green Revolution is really a smokescreen for further penetration of India's agriculture and its research and education system by agribusiness and retail trade MNCs.

10. The liberalization and opening up of the seed sector, where the public sector was dominant throughout the decades of the 1950s to mid 1980s began with the decision in 1987 to put hybrid seeds and biotech products in Appendix I list of Industries. This paved the way for the entry of MNCs, MRTP and FERA companies in the production of seeds. In recent years, there has been a considerable increase in the import of seeds and other planting material. More recently, in the wake of changes in the intellectual property regime following the TRIPS agreement at the WTO and under pressure

from agribusiness lobbies as well as its own neoliberal policy framework, the government has been pushing hard for legislation pertaining to seeds that would be 'agribusiness-friendly'. The Seed Bill originally brought forward in 2004 has since been revised, overlooking most of the recommendations made in this regard by the relevant Committee of the Parliament, and has been brought to the parliament. The Seed Bill in its 2010 incarnation is tilted strongly in the direction of big and MNC agribusiness. It does not provide adequate guarantees of the peasant's rights to grow, sow, re-sow, save, use, exchange, share or sell their farm seeds and planting material. By not having a provision for regulating seed prices, it gives big agribusiness a free hand to charge monopoly prices. It does not provide for compulsory licensing. It marginalizes the role of the State governments in formulating and implementing regulations and policies for the seed industry. It does not see a role for a strong public sector in the Seed sector. It is very generous to agribusiness companies in the seed industry and seeks to ensure minimal liability for their acts of omission and commission. It represents a big step toward denationalization of the seed sector in both senses: marginalization of the public sector and strengthening of foreign capital.

11. Neoliberal economists and die-hard believers in the efficacy of markets tend to see futures markets as mechanisms for 'price discovery' and as playing a role in dampening price fluctuations. But empirical evidence does not support these claims at all. As Abhijit Sen points out, evidence in fact points in the opposite direction, namely that futures trade tend to create greater volatility in prices. In situations of scarcity-real or artificially created-futures markets provide a fertile ground for speculators to make a killing and to increase prices beyond all rational calculation. This happened, for instance, with crude petroleum prices in 2008. More over, even if infrastructure for futures markets are strengthened and modern information technology harnessed for this purpose, most Indian farmers will be in no position to participate, given various constraints including their levels of education and exposure and their poor access to credit/finance. The same is true of small traders as well. UPA II has been pushing ahead vigorously in the area of futures trading in agricultural commodities, thus enhancing vulnerability greatly.

12. Successive neoliberal governments at the Centre have been

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trying to reduce fertilizer subsidies since 1991. There was a sharp reduction in subsidies in 1991 and this led to a big increase in fertilizer prices. The price, distribution and movement of phosphatic and potassic fertilisers were decontrolled in August 1992. This led to a big increase in their prices, and led to nutrient imbalance in fertilizer use as well as a setback in fertilizer use. The government subsequently did some fire-fighting with ad hoc concessions, but overall costs of fertilizer rose steadily and have hurt the peasantry significantly through the 1990s. Fertiliser subsidy as a proportion of GDP has declined from 0.93% in 1989-90 to 0.43% in 2003-04.

13. Meanwhile, successive neoliberal governments went ahead with systematic closure and dismantling of the Public Sector fertiliser companies. No additional capacity generation has been planned. Seven urea manufacturing units under the Fertiliser Corporation of India and HFCL have been closed in the last decade. No concrete steps have been taken to enhance the installed capacity of nitrogenous fertilisers and for optimal utilisation of the potential for manufacturing Single Super Phosphate which is most commonly used by the poor and marginal farmers.¹ The consequence has been to increase the percentage of imports in total fertilizer consumption considerably. Given the highly monopolistic nature of the global fertilizer markets, this has meant much higher prices for imported fertilizers over the years.²

14. The argument that more than a third of fertilizer subsidies go to fertilizer companies has also been questioned. It has also been pointed out that 'Fertiliser subsidy is more equitably distributed among farm sizes. The small and marginal farmers have a larger share in fertiliser subsidy in comparison to their share in cultivated area.'³

15. As Sharma and Thaker point put, 'A reduction in fertiliser subsidy is, therefore, likely to have adverse impact on farm production and income of small and marginal farmers and unirrigated areas (about 60%) as they do not benefit from higher output prices but do benefit from lower input prices.'⁴

16. The most recent move to a so called nutrient based fertilizer pricing system in practice amounts to a slashing of fertilizer subsidy and a rise in fertilizer prices, and not to the claimed consequence of a more rational use of fertilizers.⁵

17. Taken together, the policies of UPA government with regard to seeds, fertilizers, research, extension and trade relating to agriculture constitute a disastrous path. If not checked forcefully, these policies will make the agrarian economy more and more dependent on international capital and domestic large capital, and worsen the lot of the overwhelming majority of the rural population.

18. In what may seem like a digression, I would like to make a brief reference to a resurvey of over 230 agrarian households conducted in 2005 by a team of researchers including myself. This pertains to an original farm and household economy survey conducted in 1979-80 in six villages of the then undivided Tiruchirapalli district in Tamil Nadu. Almost all the original (or descendant) households were again surveyed in 2005. Three of the villages were nearly 100 per cent irrigated, and by dependable surface irrigation. These villages – Rajendram, Nangavaram North and Poyyamani – had crops right round the year, with paddy, banana and sugarcane being the main crops. The other three villages had a much smaller portion of their net sown areas irrigated, and mostly with wells. They also had some tank irrigation. The major crops in these villages are paddy, millets and ground nut.

19. The results of the resurvey bear out the points made in VKR's Note. There has been a significant decline in the number of days of employment in agriculture for wage labourers. There has been a reduction in the share of institutional credit and a much greater dependence on non-institutional sources of finance, with consequent high rates of interest. The SHG movement has had only a very limited impact and that too in provision of credit for emergency consumption needs. Financial liberalization has hurt the peasantry in this region where we had in 1980 expected that usury may give way to credit, although we had added the caveat that this depends critically on the role of the State. The other important features of the resurvey include:

~ The very large increase in the share of non farm activity in both the total labour and the total income of farm households.

~ Considerable out migration on the part of members of households that were landless in 1979.

~ Consolidation of land in 'family holdings', with the exit of large landlords from agriculture and rapid farm mechanization leading to lesser use of hired manual labour.

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- ¹ Vijoo Krishnan, 'Fertiliser Policy, Soil Degradation & Ruin of the Peasantry', unpublished paper.
- ² For instance, the price of urea varied from about \$70 per tonne in July-December 1998 to \$865 in July-September 2008. The coefficient of variation was quite high (63.5%) between 1990 and 2008. The average free on board (fob) price during the decade of 1990s was \$135 and it increased significantly (\$260/tonne) during the 2000s. See Sharma and Thaker, 'Fertiliser Subsidies in India: Who are the real beneficiaries?', *Economic and Political Weekly*, March 20, 2010.
- ³ See Sharma and Thaker, 'Fertiliser Subsidies in India'.
- ⁴ Ibid.
- ⁵ Vijoo Krishnan, loc cit.