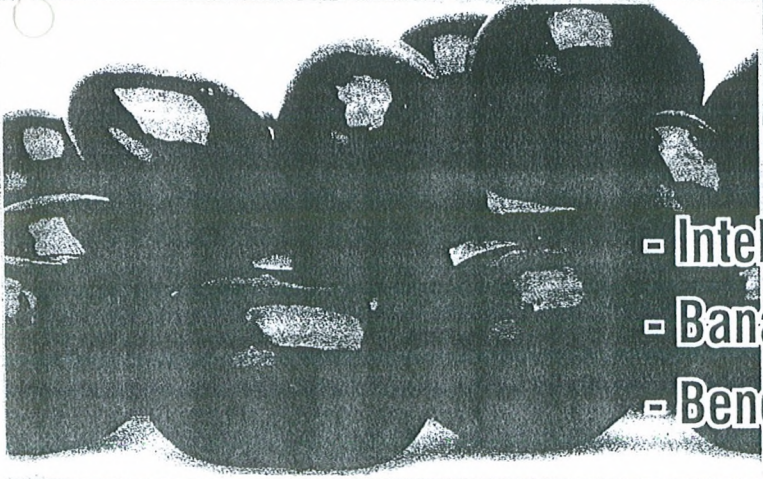
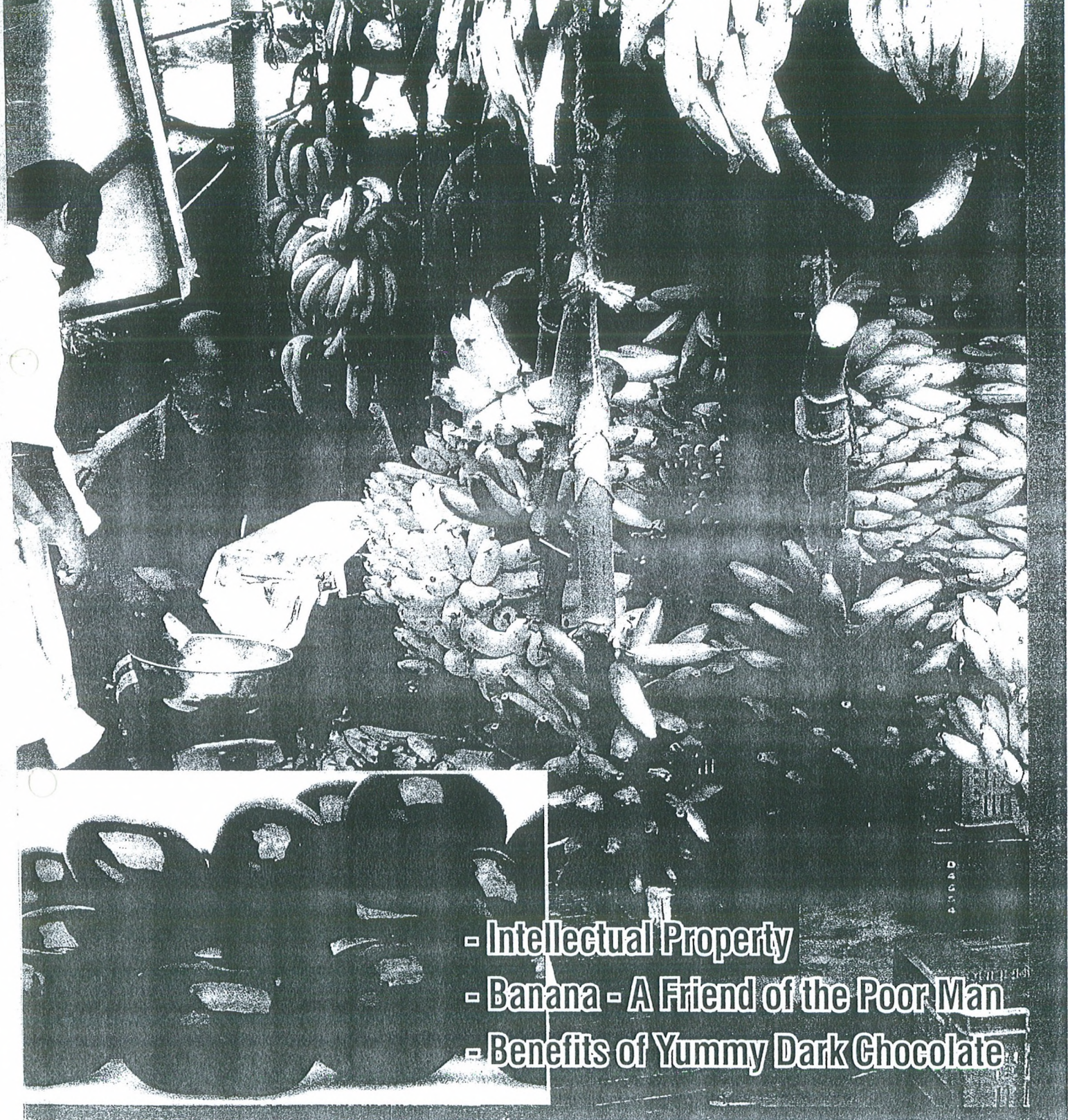


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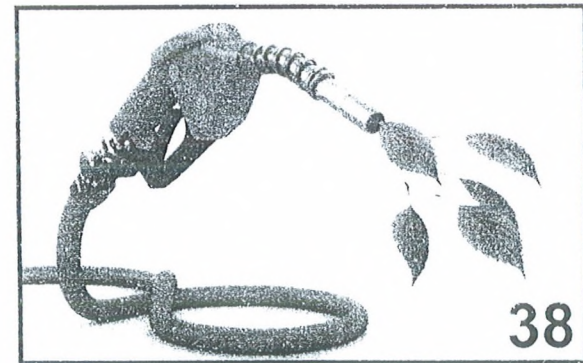
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CRISIS OF INDIAN AGRICULTURE

M. Manonmani

A popular saying "abundance of water destroys life; paucity of water destroys life" signifies agriculture's link with monsoon. The vagaries of nature have been associated with ups and downs in cultivation. In addition, disease and pests can also affect crops. When the produce is good, a glut in the market can through low prices lead to poor returns from cultivation. Increasing cost can also adversely affect returns. Spurious inputs could also leave the farmer in a quandary. The increasing dependence on inputs from the market has also brought about greater demand for credit, which adds another important dimension to the difficulties. There are multiple risks in agriculture – income, yield, price, input, technology and credit among others.

In recent years, one observes an increasing incidence of farmers' suicides. Suicide being a multifaceted and complex phenomenon, the risks are identified either in the neuro-biological or socio-economic domain. The former are predisposing in nature and are internal to the individual whereas the latter are the precipitating ones and are external to the individual.

The agriculture to the GDP has been declining over time steadily. The performance of agriculture- a relatively higher suicide among a particular sub-group is indicative of a larger socioeconomic malaise. Agriculture in India is undergoing a structural change leading to a crisis situation. The rate of growth of agricultural output is gradually declining in the recent years. The trends in the area, input use, capital stock and technology also reflect the agricultural downfall and the farmer's response accordingly. It is alarming that India is moving towards a point of no return, from being a self-reliant nation of food surplus to a net importer of food. All these trends indicate that the agricultural sector in India is facing a crisis today.

The root cause of the crisis is the income-deficit of the sector. This may sound too simple, or even simplistic, but most seemingly complex situations do have a simple causation at their core. The term income-deficit needs clarification. At a basic level, it means that the income derived



from the activity is not sufficient to meet the consumption needs of the recipient.

Defining consumption needs is a messy affair and cannot be done entirely objectively, unless it is reduced down to sheer survival levels, whence the concept of the poverty line. It depends on numerous social, economic and cultural factors which would have substantial subjective elements. It would also vary from time to time, region to region and within their sub-groups as well.

The point to note is that most agriculturists, and not just those below the poverty line, believe that their income does not allow them to live in what they consider to be a minimum acceptable manner. Their response then is something all economists and accountants warn against: mixing stocks and flows, using assets to meet consumption needs. Indian farmers are hardly alone in this behaviour. Native American Indians sold their land at throw away prices to white settlers to pay for the blankets, pots and pans, and firewater.

Low incomes on one side and relatively inflexible consumption needs on the other, squeeze the farmer into a situation of overdue payments and possible defaults on loans, with suicides as a horrifying extreme response. The distinction between borrowings from institutions and private lenders is to an extent pointless, because most rural families borrow from both. Similarly, a distinction between loans for cultivation and



asset creation, or in cash and kind is also somewhat redundant, because there is a great deal of fungibility in these transactions.

Borrowings from one source being used to repay loans from another, or converting material supplies into cash through their distress sale, are not exactly uncommon occurrences. What they point to is the paramount place of consumption and a possible recourse to desperate actions to meet their needs. This has been going on for generations, as document after document on the subject dating back over 150 years would testify. The government response has ranged from reducing or deferring interest, rescheduling, extending, and twice in the last 20 years, waiving the over-dues. These measures have invariably acted as palliatives, with the problem recurring periodically and almost predictably, with a greater magnitude each time.

Paracetamol can only break the fever, but not make the basic disease go away. With the waiver scheme and its own self-congratulatory mood, this time the government, which ought to know better, has joined the farmers in confusing stocks with flows. One could argue that institutional loans do make allowances for consumption needs. If there is lower income in an adverse year, there would be compensatory increases in a good year and loan and repayments are based on averages. Therefore, defaults or over-dues in one period could be made good potentially in another, presumably good, period. Reality works differently. Certainly farmers have no ability to meet their repayment obligations in a bad year. But the surpluses in good years do not wholly compensate for these shortages. Deferred consumption expenses, even rites and ceremonies, take priority and the income surplus diminishes or vanishes altogether, without any attribution of malafides. The simple truth of rural India is deficits are cumulative, surpluses are not. The borrower never escapes the debt trap, and not only because of the usurious practices of private money-lenders. Under the circumstances, the current loan-waiver is what such measures have always been: a palliative, if a much-needed one at that, but not the panacea it is made out to be. The crisis of indebtedness will recur, because of basic structural factors and not what some critics of waivers call the "default culture" they are supposed to encourage. This will happen sooner rather than later, one hopes (likely in vain) not in as severe a fashion as now, requiring yet another infusion of relief. This is only one, and possibly a minor, element of the Sisyphean challenge of Indian agriculture.

The problem of income deficit arises from three basic causes: first, adverse terms of trade (which means farmers pay more in local exchange terms for the goods and services they buy than what they get for those that they sell); second, low productivity of resources engaged in agriculture, and third and possibly most important, the disproportionately large dependence of population on agriculture for its livelihood. Each of these has been commented on but they need to be seen together, to understand the real Sisyphean nature of the task and its possible lethal consequences for the country. These will be discussed in subsequent installments of this series.

It is argued that the consequence of agricultural crisis in India is very vast and likely to hit all the other sectors and the national economy in several ways. In specific, it has adverse effects on food supply, prices of food-grains, cost of living, health and nutrition, poverty, employment, labour market, land loss from agriculture and foreign exchange earnings. The agricultural crisis is affecting a majority of the people in India. The farmers who produce food materials for the country are in deep distress. The marginalised people like the Dalits and tribals, who depend on agriculture, are getting unemployed and struggling for their livelihood. The ordinary people, especially the poor, have lost their food security. The crisis in agriculture is a crisis of the country as a whole and so needs urgent attention. Hence the following suggestions are made.

Suggestions

1. Quantitative restrictions should be imposed on import of agricultural products. Since the import policy was the major reason for the crash in prices of many agricultural products, there should be restrictions on the quantity and customs duty of such products. Necessary import duty and quantitative restrictions should be imposed on imported goods to protect our farmers who should be given priority to the discipline of the WTO.
2. Subsidy and concessions given to agriculture but removed in the post-reform period should be restored. This is a must to make agriculture remunerative. One of the main disputes in the Doha Round of talks at the WTO is the high subsidy given by the United States and European Union to their farmers in spite of the WTO regulation. India should assert its right to give sufficient subsidy to its farmers to offset the rising cost of cultivation and protect their livelihood.
3. Bank loans should be easily made available to the farmers.

especially since the input cost of agriculture has gone up. The government should seriously think of restoring the low rate of interest to farmers given by banks and other financial institutions as it had done before the reform period. In fact, the M.S. Swaminathan Commission for Agriculture has recommended a low rate of four per cent interest for the farmers.

4. The government should augment its investment and expenditure in the farm sector. One reason for the agricultural stagnation is low government expenditure. Investment in agriculture and its allied sectors, including irrigation, transport, communication and farm research, should be drastically increased, and the government should aim at integrated development of the rural areas. Effecting Implementation of National Rural Employment Guarantee Scheme can also become a means of revival of the rural economy.
5. There is a need for periodic revision of the procurement prices for farm produce making those remunerative. This will help the farmers to meet the increasing expenses for farm inputs and ensure at least remunerative income. According to the Swaminathan Commission, unless agriculture is made a profitable enterprise, its present crisis cannot be solved. The Commission has suggested 50 per cent more of the total production cost as supportive price for foodgrains.
6. The government should revise the policy on Special Economic Zones as it goes against the interest of farmers and the agricultural sector. It should not acquire fertile agricultural land for SEZs. When it does take over land for essential public utilities, it should give just compensation and initiate comprehensive rehabilitation measures. The recommendations of the Swaminathan Commission not to acquire land suitable for agriculture for non-agricultural purposes, to give adequate compensation for the acquired land and to distribute surplus land to the landless farmers should be seriously taken into account when the policy of SEZs is reframed. Over and above the policy of SEZs, there is a need for constitutional structures and mechanisms which will mandate the government, both Central and States, to implement the policy of relief and rehabilitation of people displaced due to SEZs and other developmental projects.

7. Bold steps should be taken to implement land reforms which were not implemented in most States. Feudal structures and landlordism based on large holdings of land by high caste and class people even now tend to keep a majority of the people, especially Dalits and backward castes, in the rural areas under their control and domination. Neo-liberal policies with privatisation will only reinforce and strengthen these unjust and exploitative structures. Therefore, there is a need for conscious efforts and positive steps from the government side to implement land reforms. Surplus land acquired thus should be distributed to the Dalit and adivasi farmers. According to Amartya Sen, the Nobel Laureate though the economic growth rate of India is impressive, India cannot play a significant role in the global economic scenario unless it completes land reforms.

8. The rural economy, particularly agriculture, will greatly benefit if programmes meant for economically backward sections, including the Integrated Child Development Schemes, mid-day meals for school children and the National Rural Employment Guarantee Scheme, are effectively implemented. Food security of the poor will be ensured if the public distribution system is efficiently run. All these programmes will increase the purchasing power of the rural people and indirectly help agriculture itself.

Conclusion

The agricultural sector in India is facing a crisis today. The globalisation process, which started in the 1990s, is the main reason for this crisis. The solution of the problem is not in a few "packages" but in drastic changes in the present economic policies related to agriculture. For this, the government should be ready to take bold steps. Farmers, agricultural labourers and people's organisations in civil society should work collectively to assist and persuade the government to make the necessary changes. It is high time that the government and the people realised that India can become a real "superpower" only when the vast majority of the people, especially the farmers in the rural areas, become prosperous and are really empowered. The words of Dr M.S. Swaminathan are relevant here: "In a country where 60 per cent of people depend on agriculture for their livelihood, it is better to become an agricultural force based on food security rather than a nuclear force."

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