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An Analysis of Agrarian Crisis in South Indian States

Economics

KEYWORDS : - Agrarian Crisis, South India, GDP, SDP, Food grains, Liberalisation, Agriculture, Manufacture and Service sector.

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ABSTRACT

This study on Agrarian Crisis in South Indian States makes an attempt on the issue of farm sector crisis at the national level and four major South Indian States. This study presents data on the growth rate of agriculture, manufacturing, service sectors and GDP over the years, agriculture production especially food grains production, data on capital formation and per capita availability of food grains in the Indian economy. It also presents the agriculture, manufacturing, service sector and SDP growth rate of the four South Indian states in the pre and post-liberalization period and agricultural production including food grains. In all these four South Indian states, food grains production also shows sharp decline in the post-liberalisation period. This may be due to low priority given to agriculture in the economic reform period of 1990s.The shifting of priority from this vital agriculture and allied activities to some other sun rise industries like IT, BT and tourism by the Centre and the states once well known for agriculture and food grain production led to poor performance of the farm sector.

Introduction

Indian economy has been facing crisis in its farm sector and its worst face is the suicides of farmers in almost all parts of India. During the British rule and in Independent India also we had experienced agrarian crisis i.e., this agrarian crisis is not new to India but this large number of farmers' suicide in many parts of India is a new phenomena. Before Independence due to the hostile and colonial policies of the British government, our farm sector had experienced severe agrarian crisis. But after Independence, the government of India started economic planning and it was mainly fascinated by the USSR model of economic planning. The dislocated Indian economy due to all adverse effects of partition started Five Year Planning as a strategy for economic development. We started first five year plan in 1951 and devoted much larger share of our resources to the agricultural sector.

But second five year plan onwards our priority and efforts for economic development of India shifted to the development of large scale modern industries and many of these industries started with foreign financial and technological assistance. Low priority and less financial allocation to agricultural sector in the second five year plan were immediately felt in the mid of 1960s. Of course there were some reasons like drought, flood, war fought with China and Pakistan and political instability and we have experienced these problems before and after the third five year plan also.

But this experience of India in the farm sector led to some serious thoughts and the Government of India realized that food surplus countries used their food surplus as a weapon to force food deficit countries to submit to their dictates. During the period of third five year plan, India suffered very severe droughts and the problems of U.S.A's P.L 480 Programme compelled India to start New Agricultural Policy, popularly known as Green Revolution.

This new policy helped India to increase the production of wheat in Punjab, Haryana and Western UP and the production of rice in Andhra Pradesh and in some other parts. This new agrarian policy helped to a large extent in our efforts to achieve self sufficiency in foodgrains production and we became free from the draconian and notorious foodgrains exporting law of the United States of America. But this strategy was not free from limitations and in fact it had its own bad effects in the farm sector. Since the beginning of Five Year Plans, India realized the need to attain self-sufficiency in foodgrains production as one of the important goals of planning. Green Revolution concentrated mainly in some wheat producing region and it was not implemented uniformly across India. Secondly, emphasis was more on fine cereals and the production of coarse cereals was not given much importance. Even though the government of India made efforts to improve the performance of farm sector in various five year plans, the larger section of our population living in rural areas and engaged in agriculture and allied activities for their livelihood didn't benefit from it. But the U turn in our economic policy in 1991 was an ironical and to some extent a paradoxical event in the recent economic history of India. The same political party tried to lead Indian economy and polity in the socialist path, making another serious effort in the beginning of 1990s to make Indian economy a market led one. This is very clear that both these efforts were made not based on the wishes of the people, India's own distinguished features and larger interest of its economy and polity.

First effort in the 1950s to go in the socialist path was fascinated by the USSR model and it took three decades to realise that we were on the wrong path and the second effort to direct Indian economy in the market led path was also due to internal fiscal crisis and crisis in the balance of payments (BOPs) and serious economic and political compulsion and to some extent threat from the western multilateral lending agencies and the USA. Both these efforts didn't help us to solve our serious economic problems like poverty, unemployment, inequality in the distribution of income and wealth and a lot of other social and economic problems.

Methodology

This present study on Agrarian Crisis in South India is making an attempt to make a deep analysis on the issue of farm sector crisis at the national level and four major South Indian States (Tamil Nadu, Karnataka, Andhra Pradesh and Kerala). The study is based on secondary source of data. Data on agricultural crop production in India and four major South Indian states is from the various issues of the report of Centre for Monitoring Indian Economy (CMIE). The data on national accounts statistics and state accounts statistics were collected from the Ministry of Statistics and Programme Implementation (MOSP), Govt. of India, New Delhi. **The present study is divided into two parts. The first part** presents the situation at the national level on the aspects of growth rate of different sectors of the economy and GDP over the years especially the growth of agriculture, growth rate of population, agriculture production especially foodgrains and oil seeds production, data on capital formation, per capita availability of foodgrains in the Indian economy. Per capita net availability per day (gms) of milk, egg and fish from 1951-52 to 2004-05 has also been presented separately.

The second part presents the agricultural and SDP growth rate of the four South Indian States in the pre and post-liberalization period, structural change in these state economies, agricultural production including foodgrains. **Area ('000 hectares), Production ('000 tonnes), Yield (kg/hectares)**. The presented data on area and production is based on moving average calcu-

lations and the productivity of foodgrains recalculated accordingly. The year wise data on foodgrains production should not be considered in the context of India because we experience severe fluctuations in production year to year. So the three year moving average is a good indicator of Indian's foodgrain production.

Part I

Indian economy has been registering an impressive growth rate of more than 6 per cent in the post-reform period and it is largely contributed by the relatively high growth rate of service sector. But this sectors' contribution to employ our growing population is very limited because of its inherent nature. In the post-Independent India agriculture has never registered a growth rate more than 4 per cent which is a target of the Government of India now. During the decade 1980-90, agriculture registered a decadal growth rate of 3.70 per cent after that agriculture growth is decelerating and this deceleration reached its lowest during the period of tenth five year plan (2007-2012).

Indian economy registered a growth rate of 6 -7 per cent during this period but it is largely contributed by the relatively high growth rate of service sector, manufacturing and others. All these sectors register growth rate much higher than national GDP growth rate. Agriculture registers only 1.97 per cent growth rate and its share to national GDP has come down to mere 18 per cent in 2005-06 from 23 per cent in 1999-00 (MOSP,GOI,2006).

Table - 1

Decadal Growth Rate of Agriculture, Service and Manufacturing, GDP and Population (Based on 1993-94 Prices)						
Decade	Agri.	Service	Manfg	Mining &others	Total GDP	Population
1950-60	3.27	4.28	6.2	3.51	3.9	2
1960-70	1.94	4.84	5.49	5.27	3.69	2.22
1970-80	1.98	4.53	4.62	2.39	3.33	2.27
1980-90	3.7	6.45	6.7	4.73	5.32	2.14
1990-02	2.5	7.52	5.98	4.41	5.66	1.93

During the second (1960-70) and third decade (1970-1980) agricultural sector registered growth rates much less than the decadal population growth rate. But again in the third (1980-1990) and fourth decade (1990-2002), the growth rate of the agricultural sector became higher than the decadal population growth rate (Table no.01). Now we have come to a stage that the growth rate of agricultural sector has been almost equal to or less than the decadal population growth rate. This is very dangerous.

Table - 2

Growth Rate Based on 1999-00 Prices				
Year	Agri.	Service	Manfg	GDP
1999-2006	1.97	8.08	6.65	6.43

Part II

Growth rates of Agriculture, Services, Manufacturing and SDP of major South Indian states based on 1980-81 and 1993-94 prices.

As this is the situation at the national, it is much interesting to look into the changes happening in the different sectors of the economy especially agricultural sector of the South Indian states. First Period means 1980-81 to 1992-93 and second period means 1993-94 to 2005 – 06.First period is based on 1980-81 Prices and second period is based on 1993-94 Prices.

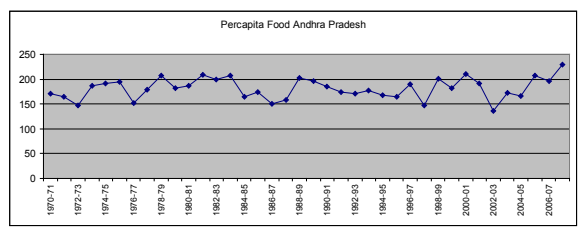
Andhra Pradesh

Table - 3

Percentage Growth Rate of Agriculture, Services, Manufacturing & SDP				
Year	Agri.	Services	Manfg.	SDP
1980-81 to 1992-93	2.14	7.47	8.94	5.51
1993-94 to 2005-06	2.83	7.65	5.26	6.01

The state of Andhra Pradesh registered SDP growth rate of 6.01 during the period 1993-94 to 2005-06. The SDP of AP registers much higher growth rate in the Post-Reform period compared to its growth rate in the 1980s. Agriculture registered 2.83 per cent during the second period and it is higher than the growth rate of its agrarian economy (2.14 per cent) in the first period. Manufacturing sector of this economy registered 8.94 per cent growth rate during the period 1980-81 to 1992-93 but this sector registered only 5.26 per cent growth during the second period.

Diagram 1: Per capita Food Production in Andhra Pradesh



Karnataka

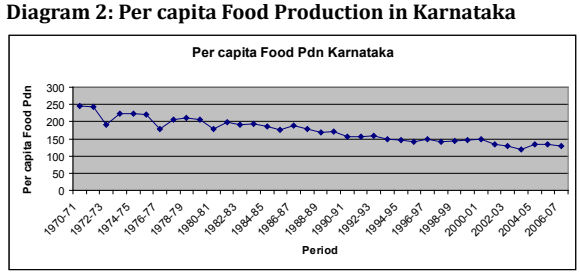
This highly globalized regional economy is loosing its agricultural base. The agrarian economy of this state is going to disappear and it is confirmed by its growth rate of **0.40 per cent** in the second period. But this economy registered 3.08 per cent growth rate in agriculture in the first period.

Table - 4

Percentage Growth Rate of Agriculture, Services, Manufacturing & SDP				
Year	Agri.	Services	Manfg.	SDP
1980-81 to 1992-93	3.08	7.32	8.00	5.51
1992-93 to 2005-06	0.40	9.99	7.44	6.88

The SDP of this economy registers 6.88 per cent in the second period and it is higher than its growth rate (5.51 per cent) in the first period and it is largely contributed service sector (9.99 per cent) and manufacturing (7.44 per cent).Another notable point is that the growth rate of manufacturing sector has declined compared to the first period.

Diagram 2: Per capita Food Production in Karnataka



Kerala

The agrarian economy of this state has almost disappeared and it is the only state in the Indian Union registers very high negative growth rate in the second period. But its agricultural economy has shown a growth rate of 3.27 per cent in the first period and it is only much less than the SDP growth rate of 3.90 per cent. But this State registers 5.75 per cent in the second period but it is largely the contribution of service sector (8.87 per cent).Kerala's manufacturing sector growth rate decelerated in

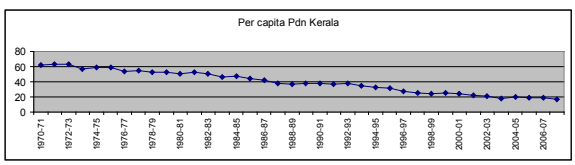
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second period to 1.61 per cent from 3.88 per cent of the first period. Based on this growth rate of agriculture, it is almost clear that the agrarian economy of this state will disappear in the near future. Kerala is a well known state in rice productivity and its rice productivity is much higher than the national average.

Table - 5

Percentage Growth Rate of Agriculture, Services, Manufacturing & SDP				
Year	Agri.	Services	Manufg.	SDP
1980-81 to 1992-93	3.27	5.09	3.88	3.90
1993-94 to 2004-05	-2.21	8.87	1.61	5.75

Diagram 3: Per capita Food Production in Kerala



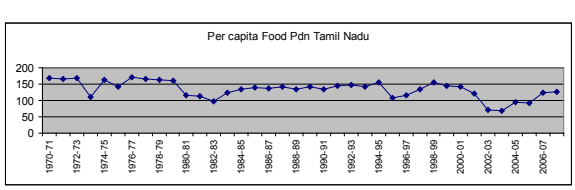
Tamil Nadu

Like its neighbouring agricultural economy of Kerala state, agricultural economy of Tamil Nadu also registers negative growth rate (-1.56 per cent) in the second period. Aggregate SDP and manufacturing growth rate also show less growth rate compared to its performance in the first period. This experience of Tamil Nadu in the 1990s is totally contrary to the general argument that intensive macro economic reforms and inflow of more foreign capital would accelerate aggregate economic growth rate of the economy. Tamil Nadu is a highly acknowledged south Indian state for agriculture and foodgrains production but for the last so many years it is loosing its agricultural base. This negative growth rates in the agricultural sector of Kerala and Tamil are serious issues to be addressed. Kerala registers relatively higher growth rate in SDP in the reform period even if it attracts only less than 0.40 per cent of FDI coming to India. Tamil Nadu attracts nearly 5 per cent of the FDI coming to India but shows less growth rate of its economy, manufacturing and negative rate in agriculture in the post-reform period. That is the argument of leaving service sector and industries to foreign capital and the state concentrating more on agriculture and allied activities with its limited financial resources stands disproved in the case of Tamil Nadu.

Table - 6

Percentage Growth Rate of Agriculture, Services, Manufacturing & SDP				
Year	Agri.	Services	Manfg.	SDP
1980-81 to 1992-93	4.33	6.41	3.97	5.45
1993-94 to 2004-05	-1.56	7.53	2.45	4.55

Diagram 4: Per capita Food Production in Tamil Nadu



The South Indian region registers very insignificant growth rate in its agricultural sector in the post reform period (0.29 per cent) which is very low compared to its growth rate of 3.03 per cent during the first period. There is not much significant increase in the growth rate of the SDP of South India. It registers 5.67 per cent in the second period compared to 5.26 per cent in the first period. Manufacturing growth rate also decelerated in the reform period in South India.

Table - 7

Percentage Growth Rate of Agriculture, Services, Manufacturing & SDP in South India (Andhra Pradesh, Karnataka, Tamil Nadu and Kerala)				
Year	Agriculture	Services	Manufacturing	SDP
1980-81 to 1992 - 1993	3.03	6.74	6.05	5.26
1992-93 to 2005-2006	0.29	8.30	4.27	5.67

Gross Capital formation in Agriculture

Based on two series (1993-94 and 1999-00 prices) the investment in agriculture as a per cent of GDP at constant prices is showing declining trend. Based on old series (1993-94 prices), the investment in agriculture as a per cent of GDP is showing continuous and sharp decline within a limited period of ten years. This shows the neglect of the farm sector in the economic reform period. Unlike the trend in the share of contribution of public sector during the period 1999-00 to 2005-06, during the beginning of economic reforms the share of contribution of public sector has declined more than five per cent but there is corresponding five per cent increase in the contribution of private sector. But there is a reverse operation of eight per cent decline in the share of contribution of private sector and much less than eight per cent increase in the contribution of public sector during the period 1999-00 to 2005-06.Based on new series (1999-00 prices), the investment in agriculture as a per cent of GDP has been constant for more than five years and even shows some decline also. Another notable trend is that the contribution of private sector to gross capital formation has declined nearly ten per cent and there is not such proportional and adequate increase in the share of public sector to gross capital formation in agriculture. There is only a slight increase in the share of contribution of public sector and it is not at all any where near satisfactory. The declining share in the contribution of private sectors shows the disinterest of the private sector in the agricultural related activities. This is a matter of serious concern. This trend in capital formation in the agricultural sector shows less importance to agriculture by the governments in the reform period and priority of the governments has been shifted to some other sectors and economic activities. But this vital agriculture sector has been neglected in the reform period.

Table - 8

Gross Capital Formation in Agriculture						
	Investment in Agriculture (Rs. Crore)			Agri. Gross Investment (%)		Investment in Agri. %
Year	Total	Public	Private	Public	Private	
Old Series (at 1993-94 Prices)						
1990-01	14,836	4,395	10,441	29.6	70.4	1.92
1995-96	15,690	4,849	10,841	30.9	69.1	1.57
1996-97	16,176	4,668	11,508	28.9	71.1	1.51
1997-98	15,942	3,979	11,963	25.0	75.0	1.43
1998-99	14,895	3,870	11,025	26.0	74.0	1.26
1999-00	17,304	4,221	13,083	24.4	75.6	1.37
New Series (at 1999-00 prices)						
1999-00	43,473	7,716	35,757	17.7	82.3	2.2
2000-01	38,735	7,155	31,580	18.5	81.5	1.9
2001-02	47,043	8,746	38,297	18.6	81.4	2.2
2002-03	46,823	7,962	38,861	17.0	83.0	2.1
2003-04	45,132	9,376	35,756	20.8	79.2	1.9
2004-05	48,576	10,267	38,309	21.1	78.9	1.9

2005-06*	54,539	13,219	41,320	24.2	75.8	1.9
* Quick estimates.						
Source :Economic Survey 2006-2007,Page No.176						
Note: Investment in Agri. % of GDP at constant prices						

National Situation of Foodgrains Production

In India the three year average of the area devoted to foodgrains production has decreased from 122,072 to 118,340 hectares during the period 1970-71 to 2003-04 (Table-9). But production has increased from 103,539 to 197,417 tonnes and it is due to doubling of productivity during the period. But one striking point is that in India food production and productivity have become constant for the last 5 – 6 years. Since 1995-96, there is not much improvement in the productivity and production of foodgrains in India and there is sharp decline in the area under foodgrains cultivation at the national level. This will create serious problem in India in future because our population is increasing 1.7 per cent annually (ie, 1.7 per cent of more than ONE Billion).

Table - 9

Three Year Average of Area, Production & Yield			
Total Foodgrains			
Year	Area	Production	Yield
1971-72	122,072	103,539	848
1980-81	126,711	124,288	981
1990-91	125,493	171,935	1,370
1995-96	122,819	190,449	1,551
2000-01	122,022	206,215	1,690
2001-02	118,154	194,345	1,645
2002-03	118,911	199,895	1,681
2003-04	118,340	197,417	1,668

Agricultural crop production trends in South Indian states over the years

As this is the situation at the national level, it much interesting to see the trends in foodgrains production in South Indian states.

Andhra Pradesh

Table - 10

Three Year Average- Total Foodgrains			
Year	Area	Production	Yield
1971-72	8,994	7,135	793
1980-81	8,933	10,311	1,154
1990-91	7,748	12,270	1,584
1995-96	7,027	12,377	1,761
2000-01	7,289	14,854	2,038
2001-02	7,006	13,840	1,975
2002-03	6,717	13,063	1,945
2003-04	6,454	12,582	1,950

Andhra Pradesh is a well known south Indian state for foodgrains production. The land devoted to foodgrains production has been declining in Andhra Pradesh since 1980-81 onwards and this decline is sharp for the last four years (Table-10).

In 1980-81 it was 8933 hectares of land devoted to foodgrains production and it declined to 6454 hectares in 2003-04. Even though production nearly doubled from 7135 in 1970-71 to 12582 in 2003-04 and it is largely due to nearly tripling of its productivity. But a notable deceleration in foodgrain production started from 14,854 in 2000-01 to 12,582 tonnes in 2003-04(Table-10). The area under cultivation of foodgrains and productivity in Andhra Pradesh shows declining trend since 2000-01.

Karnataka

The trend in foodgrains production and area devoted to the cultivation has been showing declining trend since 2000-01.In 2000-01 Karnataka had produced 9839 tonnes of foodgrains and it reduced to 7382 tonnes in 2003-04 (Table-11). In 1971-72 the area under foodgrains cultivation was 6,787 hectares but in 2002-2003, the area and production of foodgrains have come to the level of pre-1991 situation.

Table - 11

Triennial Average-Total Foodgrains			
Year	Area	Production	Yield
1971-72	6,787	5,544	817
1980-81	7,192	6,860	954
1990-91	7,260	7,144	984
1995-96	7,089	8,655	1,221
2000-01	7,548	9,839	1,303
2001-02	7,333	8,796	1,199
2002-03	6,953	7,382	1,062

Kerala

Even if the foodgrains productivity of Kerala is much higher than the national average and it is almost equal to the productivity of states like Punjab and Haryana, the production of foodgrains in Kerala has come down to 765 in 2001-02 from 1363 tonnes in 1971-72 and the area under foodgrains also reduced from 935 hectares to 346 hectares in the same period (Table-12). If this present trend continues, in the near future foodgrains cultivation will disappear in Kerala. The deceleration in the area and production foodgrains started since 1970s.It seems that no attempt has been made to reverse this long term deceleration in the area and production of foodgrains in Kerala.

Table - 12

Three Year Average-Total Foodgrains			
Year	Area	Production	Yield
1971-72	935	1,363	1,459
1980-81	841	1,325	1,576
1990-91	593	1,098	1,850
1995-96	496	942	1,898
1999-00	381	773	2,029
2000-01	365	765	2,096
2001-02	346	-	-

Tamil Nadu

Table - 13

Three Year Average- Total Foodgrains			
Year	Area	Production	Yield
1971-72	5,203	7,028	1,351
1980-81	4,582	6,274	1,369
1990-91	4,051	7,858	1,940
1995-96	3,584	7,474	2,086
2000-01	3,739	8,520	2,279
2001-02	3,393	7,018	2,068
2002-03	3,041	5,536	1,821

The land devoted to foodgrains production reduced from 5,203 hectares to 3,041 hectares during the period 1970-71 to 2002-03 and production also decreased from 7,028 tonnes to 5,536 tonnes during the same period even if the yield of foodgrains in Tamil Nadu is much higher than the national average. The production of foodgrains was relatively high in the mid 1990s and after that it shows sharp decline. The productivity of foodgrains also shows declining trend recently. This is a matter to be con-

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sidered seriously. The land devoted to foodgrains production started declining since 1971-72 onwards (Table-13). Tamil Nadu is well known for rice cultivation but this state is losing its foodgrain production base.

Total Foodgrains Production in South India
Table - 14

Food-grains			
Year	Area	Production	Yield
1971-72	21,919	21,070	961
1980-81	21,548	24,769	1,149
1985-86	20,485	24,820	1,212
1990-91	19,652	28,369	1,444
1991-92	19,120	28,621	1,497
1996-97	17,978	28,713	1,597
1999-00	19,217	35,017	1,822
2000-01	18,941	33,977	1,794
2001-02	18,079	30,154	1,668
2002-03	16,932	26,224	1,549

It much interesting to see that the whole of South India has been showing a declining trend in foodgrains production in the 1990s and this decline is very sharp in recent years. The area under foodgrain cultivation in South India also shows a continous decline for the whole period and it started since 1980-81. Reduction in the productivity of foodgrains recently is another matter of serious concern.

Oil Seeds Production in South India.
Total oil seeds include groundnuts,sesamum,rape seed & mustard, linseed, castor, safflower, niger seed, soyabeans and sunflower seeds.

Table – 15: Total Oil Seeds in South India			
Year	Area	Production	Yield
1971-72	4,573	3,092	676
1980-81	4,203	2,963	705
1985-86	5,123	3,500	683
1991-92	7,003	5,303	757
1996-97	6,449	5,270	817
1997-98	6,243	5,079	814
1998-99	5,885	4,601	782
1999-00	5,658	5,051	893
2000-01	5,312	4,460	840
2001-02	5,156	4,167	808
2002-03	5,189	3,585	691

Table – 16: Share of South India to India Over the Years		
Year	Area (%)	Production (%)
1970-71	27.45	18.14
1980-81	22.75	13.61
1985-86	26.45	18.24
1991-92	28.40	21.19
1996-97	24.86	20.67
1997-98	23.05	15.46
1998-99	23.61	22.04
1999-00	22.41	16.41
2000-01	22.96	23.18
2001-02	22.65	17.61
2002-03	23.54	14.69
2003-04	22.95	15.38

The area and production of oil seeds in South India shows much increase since 1985-86 and it may be due to greater importance given to oil seeds production by the Government of India (GOI). But for the last so many years, the production and area devoted to oil seeds production have been declining for the last so many years. Another matter of serious concern is that oil seeds productivity in South India has started declining (Table-15). But when we compare the percentage share of area and production of oil seeds in South India to the National average shows a continuous decline since 1970-71 except a small increase in the beginning of 1990s.The New Technology Programme of the GOI for increasing oil seeds production benefited the states of North India (Table-16). The share of whole South Indian States in oil seeds production has come to low level of 15.38 per cent of the production in India.

Conclusions
The agricultural sector in India especially food production economy is facing a crisis today. Indian economy has been experiencing severe inflation for the last two-three years and this inflation is largely fuelled by static foodgrain production in India. Eighteen years of India's economic liberalization policies have adversely affected Indian agriculture. The most prominent manifestation of this is in the drastic decline in the growth rate of foodgrains.During the liberalisation period the rate of capital formation in agriculture came down, and the agricultural growth rate was also reduced. In all the South Indian states, the decline of foodgrains production in the 1990s is tremendous but that much decline didn't happen in the 1980s.This may be due to low priority given to agriculture and food production in the economic reform period of 1990s.The shifting of priority from this vital food production activities to some other sun rise industries like IT, BT and tourism by the Centre and the states once well known for agriculture and foodgrain production led to poor performance of the farm sector and decline in foodgrains production for the last so many years. If the Indian states were not in tune with the government of India's globalisation and liberalisation agenda and the policy of neglecting food economy, the food economy would not have experienced this severe crisis.

So the arguments that agrarian crisis is fully due to globalization and economic policies of the government of India are not acceptable. The state governments can play active role in initiating economic development and averting the negative effects of globalization. The Governments at the Centre and States should have given much more importance to the agricultural research, irrigation, agricultural extension work, good support price to farm products during the reform period. During the British Rule, the Government had been severely criticized for not spending more on the promotion of irrigation, especially in comparison with what had been spent on the railways. But there were exceptions. Lord Lawrence developed the Punjab irrigation net-work; where as Sir Arthur Cotton developed the irrigation system which made the drought prone Tanjore area of erstwhile Madras Province, rice-bowl of the South. Sir Arthur Cotton, the architect of the magnificent Kaveri and Godavari works, was one of the few men of his time who saw the great need of canals in India, both for irrigation and transit. Even after a century and a half, Sir Arthur's living monuments of Kaveri and Godavari irrigation system thrive as the basis of agricultural prosperity of the South Indian States (Kalyan Ray, 2005). But the governments of Independent India didn't give deserved attention to agricultural development and irrigation system. We want more state initiative and state intervention in the over all economic development. Instead of blaming all external factors and events abroad, we should have good economic policies mitigating the native effects of globalization and neo-liberal policies and global developments.

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