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An Analysis of Agrarian Crisis in India: Cause and Consequences

KEYWORDS Agrarian Crisis, Market vulnerabilities, Liberalization and Credit burden

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ABSTRACT *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.. Poor returns to cultivation and absence of non-farm opportunities are indicative of the larger socio-economic malaise in rural India. This is accentuated by the multiple risks that the farmer faces – yield, price, input, technology and credit among others. The increasing incidence of farmers' suicides is symptomatic of a larger crisis, which is much more widespread. Risk mitigation strategies should go beyond credit. Long term strategies requires more stable income from agriculture, and more importantly, from non-farm sources. Private credit and input markets need to be regulated. A challenge for the technological and financial gurus is to provide innovative products that reduce costs while increasing returns.*

To overcome the hurdles in this sector especially the farmers in the rural areas should be empowered with credit facilities. For this, policy and programs involving timely and adequate investment in agriculture would facilitate farmers' access to technologies and other relevant help in farming process.

INTRODUCTION:

Over the past couple of years the issue of farmers' suicide in different parts of the world, including India has slowly become a major issue in the academic narratives and policy prescription. This trend of committing suicide has sharpened with globalization enveloping different continents or the countries. There is a direct connection between the severe economic crisis of African Continent, struggle of indigenous population of Latin America, farmers' committing suicide in Australia/ England or in India. This connection is established with globalization connecting each continent including different social categories within the larger framework of global capital or capitalism.

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.

Trends in Indian Agriculture and Its Crisis:

Agriculture was considered to be the backbone of Indian economy and its contribution to the National Income was estimated at about 57 per cent in the early fifties. This position got altered steadily and significantly since then (Table 1). In 2000-01, the contribution of agriculture to GDP was halved again to about 26 per cent. In 2007-08, it is estimated that agriculture contributes only 19.78 percent to the GDP. Though it is expected that in the process of development the sectoral contribution to the GDP would change, the issue is whether the observed trends in India's agricultural sector's share over time is desirable. The reality is that, still it accounts for about 54.6 per cent of the employment in the country where as this percentage is much less in advanced countries.

Table- 1
Trends in Share of Agriculture and Allied Sectors in India's GDP

Period	1960	1970	1980	1990	2000	2005	2007	2010	2011	2012
	-61	-71	-81	-91	-01	-06	-08	-11	-12	-13
Percent	52.4	46.00	39.3	34.04	26.1	21.65	19.7	14.60	13.9	13.9
age	8		9		8		8			
Share										

Source: Computed from Economic Survey.2014-15.

As per estimates by the Central Statistics Office (CSO), the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) was 16.1 per cent of the Gross Value Added (GVA) during 2014–15 at 2011–12 prices. So, there is little improvement but at 2011-12 prices.

On one side, the country is the largest producer, consumer and exporter of spices and spice products. It ranks third in farm and agriculture outputs. Agricultural export constitutes 10 per cent of the country's exports and is the fourth-largest that exported principal commodity. The agro industry in India is divided into several sub segments such as canned, dairy, processed, frozen food to fisheries, meat, poultry, and food grains. But, on the other hand, when the Indian economy is growing at about eight to nine per cent per annum and moving towards the double-digit figure the rural/agrarian scenario is not doing well. At 1999-2000 prices, share of agriculture in gross domestic product is at 21 per cent in 2004-05, down from 41 per cent in1972-73;

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whereas during the same period the share of employment in agriculture using usual principal and subsidiary status declined at a much slower pace from 74 per cent to 57 per cent only. Ratio of worker productivity in agriculture to worker productivity in non-agriculture is about one fifth. The agrarian/rural sector is lagging behind but it continues to employ a large proportion of the workforce. Agricultural activity (cultivation, livestock and other agricultural activities) was reported to be the principal source of income for majority of the households in all the major States, except Kerala where there are about 61 percent of the households depends on agriculture. Among the major States, more than 80 percent of agricultural households from Assam, Chhattisgarh and Telangana reported agricultural activity as their principal source of income.

Table-2
Average GDP Growth Rates—Overall and in Agriculture in India
(% per period (Years) at 1999–2000 Price and 2004-05 prices for eleventh plan)

Period			Total	Agriculture	and
			Economy	Allied Sectors	
1.Pre Green Revolution:		1951-52 to 1967-68	3.69	2.54	
2.Green Revolution Period:1968-69 to 1980-81			3.52	2.44	
3.	Technology Dissemination Period:1981-82		5.40	3.52	
to1990-91					
4.	Early Reform Period :	1991-92 to 1996-97	5.69	3.66	
5.	Ninth Plan Period: 1997-98 to 2001-02		5.52	2.50	
6.	Tenth Plan Period : 2002-03 to 2006-07		7.77	2.47	
7.	Eleventh Plan Period :	2007-08 to 2011-12	8.4	4.1	

Economic Survey, 2014-15

The growth of GDP at factor cost (at constant 1999-2000 prices) was at 6.7 per cent in 2008-09 representing a deceleration from a high growth of 9.0 per cent and 9.7 per cent in 2007-08 and 2006-07 respectively. The deceleration of growth in 2008-09 was spread across all sectors except mining & quarrying and community, social and personal services. The growth in agriculture and allied activities decelerated from 10 per cent in 2003-04 to 4.9 per cent in 2007-08 and further to 1.6 per cent in 2008- 09, mainly on account of the high base effect of 2007- 08. Further, against the target of 4 per cent growth for the agriculture and allied sectors the growth was 3.7 per cent in 2012-13 and only 1.1 per cent in 2014-15. Thus, during the last five decades, agricultural production has increased at an average annual rate of 2.5-3 per cent.

Causes:
There is a need for analyzing the reasons for the crisis to know what measures could be adopted to face this challenge. However, there are two reasons to be concerned that Indian agriculture may indeed be facing a wider, deeper crisis: (1) The long term growth trend in production and productivity of agriculture, considerably less than required to sustain the projected high overall growth rates in the coming decade, may actually be slowing down; and

(2) The growing economic and social disparities between agriculture and the rest of the economy and between rural and urban sectors. Apart from these other important causes observed are as follows.

Declining Growth Rate in Agriculture:
Statistics show that not only the contribution made by the agricultural sector to the overall GDP has declined but also the growth of agriculture sector itself is declining gradually (Table-1 and Table-2).The slowing down of agricultural growth is widely attributed to the slowing down of investment, especially public investment. The Planning Commission seems to share this perception and sees increased investments in irrigation and watershed development as the means to achieve the projected growth. But what is relevant is not the magnitude of investment but its contribution to increasing production capacity. For a variety of reasons peculiar to agriculture, production capacity has not increased in proportion to the quantum of investment.

Liberal Import of Agricultural Products:
One of the reasons for the crash of prices of agricultural products, especially of cash crops, in India was removal of all restrictions to import these products. As, for example, when the Government of India reduced the import duty on tea and coffee from Sri Lanka and Malaysia, their prices in the domestic market got reduced drastically. Thus cultivation of such products became unprofitable and so their production was fully or partly stopped. Since the removal of quantitative restrictions and lowering of import duties were according to the restrictions of the World Trade Organizations (WTO), the crash in the prices of agricultural products is directly related to the liberalization policy of the government.

Reduction in Agricultural Subsidies:
In the post-reform period the government reduced different types of subsidies to agriculture, and this has increased the production cost of cultivation. Cutback in subsidy and control of fertilizers over the last few years has adversely affected the agricultural sector. It has increased the input cost and made agriculture less profitable. The decrease in subsidy to agriculture is part of the regulations of the WTO which is binding on the developing countries. The Table below shows the comparison of some countries regarding subsidies to agriculture and also the percentage of population depending on agriculture.

Table 3
Comparison of Country Regarding Subsidies to Agriculture

Country	Subsidy	per	Percentage of population	
	Hectare		depending	on
			Agriculture	
USA	$32		5	
Japan	$35		4	
China	$30		24	
India	$14		59	

Source: WTO Reports

Lack of Easy and Cheap Loan to Agriculture:
After 1991 the lending pattern of commercial banks, including nationalized banks, to agriculture considerably changed with the result that loan was not easily available and the interest was not affordable. This has forced the farmers to rely on moneylenders and thus pushed up the spending on agriculture. The National Commission for Agriculture, headed by Dr M.S. Swaminathan, also pointed out that removal of the lending facilities and concessions

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of banks during the post-reform period have accelerated the crisis in agriculture. When the farmers were not able to pay back loan with high interest, they fell into the debt trap. Studies show that most of the farmers' suicides were due to the debt trap. It is part of the policy of privatization that banks, even nationalized banks, look for profit over their societal responsibilities to the people. Credit is often considered to be the key element in increasing the productivity in agriculture through modernization.

Remedial Measures for Betterment of Agriculture:
The agricultural crisis is affecting a majority of the people in India. The farmers who produce food materials for the country are in deep suffering. The marginalized 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. Some of the remedial measures are being listed here.

1. 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. Quantitative restrictions should be imposed on import of agricultural products. It is required to impose import duty and quantitative restrictions on imported goods to protect our farmers.
2. Subsidy and concessions given to agriculture sector should be increased. This is a must to make agriculture remunerative. One of the main disputes in the Doha Round of talks is the high subsidy given by the United States and European Union to their farmers in spite of the WTO regulation. India should affirm its right to give adequate subsidy to its farmers to offset the rising cost of cultivation and protect their living.
3. Credit facilities should be easily made available to the farmers, especially since the input cost of agriculture has gone up. The government should seriously think of providing loans to farmers at low rate of interest by banks and other financial institutions. 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 increase its investment and expenditure in the agriculture 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 significantly increased, and the government should aim at integrated development of the rural areas. Effective implementation of National Rural Employment Guarantee Scheme can also become a means of revival of the rural economy as agriculture is already overcrowded.
5. 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 food grains. So, there is a need for periodic revision of the procurement prices for farm produce. This will help the farmers to meet the increasing expenses for farm inputs and ensure at least remunerative income.
6. The government should not acquire fertile agricultural land for SEZs and revise the policy on Special Economic Zones as it goes against the interest of farmers and the agricultural sector. When it does take over land for essential public utilities, it should provide 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.

Summary and Conclusions:
One may sum up the current agrarian crisis in the following terms:

- There has been a significant slowing down of the growth of output and yield of most major crops.
- Crop agriculture and animal husbandry have become unviable for a large majority of the peasantry rural employment has grown more slowly during the period of reforms than earlier. Nearly all the increase in employment has been of poor quality, characterized by informality and low earnings. While the crisis continues, there has also been some degree of capital accumulation. This is reflected in rising yields of most crops, though at rates much slower than before the acceleration of neoliberal reforms. It is also reflected in considerable rise in the sale and use of agricultural machinery.
- While there has been dispossession, operations of the land and real estate mafia, corporate land grab and so on, not all the accumulation is by dispossession alone. There has been growth of productive forces and enrichment of a small section of the agrarian population as well.
- While the role of international capital and its penetration of Indian agrarian and rural economy have increased rapidly during the period of neoliberal reforms, the basic contradiction in the Indian countryside between landlordism and the mass of the peasantry and agricultural labourers is intact and is very far from being resolved. Land monopoly and concentration of productive assets in the hands of landlords and capitalist farmers as well sections of the rich peasantry continue to define the countryside in large measure. Oppression against dalits, adivasis and women remains an important and persistent feature of the rural economy and society.

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