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Research Paper

Farmer Distress Under Market Reforms

Economics

KEYWORDS : farmer distress, neo-liberal policy, deficit

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ABSTRACT

This paper intends to deal with the issue of farmer distress under market reforms. The study is based on secondary data sources. The secondary data gathered from Situation Assessment Survey of the farming community which is employed by the ministry of agriculture and performed by National Sample Survey Organisation. A large number of studies have enquired about the reason behind the farm distress in various states. They have pointed out the neo-liberal policy regime for this impasse. The secondary data analysis reflected a grim picture of rural West Bengal and India. There is income-expenditure deficit according to all categories of land size in West Bengal and India. It appears that farmers are in deep distress in West Bengal and India.

INTRODUCTION

According to Government of India definition (while announcing the Farm Credit Package on June 18, 2004), Farmer distress was expressed as, "Farmers who have suffered production and income losses due to successive droughts, floods or other calamities (in districts declared as calamity affected by the State Government concerned) will be treated as farmers in distress and provided debt relief, and their debts will be rescheduled/ restructured. This is the one of the problem that the Indian economy is facing since it followed the structural adjustment path of IMF and launched a series of Neo Liberal Economic reforms in 1991. According to Patnaik (2007) Neo-liberalism is an expenditure deflating package in the macroeconomic level in India. The impact of deflationary policies has been much severe in rural areas which subject to declining public investment and sharp reduction in public planned development expenditures.

Census 2011 shows that 95.8 million cultivators are engaged in farming as their main occupation, less than 8 per cent of the population. The corresponding figure is 103 and 110 million in Census 2001 and 1991 respectively. In the recent Census, there are nearly 15 million and over 7.7 million cultivators less than they were in Census 1991 and 2001 respectively.

The cost of cultivation has been increasing (Nadkarni, 1988; Reddy, 1994; Deshpande and Pratchitha, 2006). As a result, the net income flow to the farmer households stagnated. The farmer would borrow to meet the increased cost of cultivation or for purchased inputs, though the fall in net income will not allow to fill up the gap of debt. Distress among the farmers is real and the case is worsing in Andhra Pradesh, Karnataka, Maharashtra, Rajasthan, Orissa and Assam (Reddy and Mishra, 2009). On the one hand, the decline in public investment in agriculture has increased the transaction cost of the farmers, on the other hand, inadequate institutional credit supply, poor arrangements to supply various inputs required for crop cultivation as well as market for agricultural produce have reduced the cultivation income (Kalamkar 2012).

Against this backdrop, this paper aims to examine the real situation of farm distress with secondary data analysis National Sample Survey (NSS). There are two main objectives. Initially, the study shows that farmers are in distress according to different size of households and class wise analysis. The second objective is to contribute to the analysis of the cause of farmer distress under market reforms.

This will be cover up in three sections. Initially, the methodology and data collection of the study will be incorporated. This is followed by a section dealing with the first and second objectives. The study is wrapped up in a final concluding section.

METHODOLOGY AND DATA COLLECTION

The survey covered rural areas of the whole of the Indian Union. A stratified multi-stage design was adopted for the 59th round survey. For the purpose of stratification, only a particular set of rural households i.e. the set of farmer households were considered. By farmer household is meant a household that possessed some land and was engaged in some farming activity during the last 365 days. Sample households were selected by SRSWOR. A randomly drawn sample of 51770 farmer households spread over 6638 sample villages across the country was surveyed during January-December 2003.

SECONDARY DATA ANALYSIS

Measurement of Total Net Income in farming

Moving to real situation of agrarian West Bengal and India. The study have analysed the NSS Report No. 497, 2003. Initially, the study have used income and expenditure of farmer households to reveal the picture of earnings from agricultural sector according to different categories of land possessed in west-Bengal and India during the agricultural year July 2002- June 2003. This is depicted in Table: 1. In Table: 1 Average monthly income and Average monthly expenditure of the farming community are plotted according to different size of land possessed by the households in West-Bengal and India. Earnings is the difference between income and expenditure and is reflected by I-E. Now, let us consider the case of less than 0.02 acres of land categories. The study observed that there is a deficit of Rs 874 and Rs 917 respectively in West-Bengal and India. Subsequently, higher categories of land holding also faces a deficit although there is a surplus in higher categories of land holding in West-Bengal and India. There is a deficit of Rs 651 and Rs 757 in 0.02-0.98 acres categories, Rs 591 and Rs 863 in 1.01-2.47 acres categories, Rs 234 and Rs 655 in 2.49-4.94 acres categories in West Bengal and India. There is a surplus of Rs 1239 and deficit of Rs 96 in 4.96-9.88 acres categories in West Bengal and India and the opposite case occurs in 9.90-24.70 acres categories in west Bengal and India. Thus, Peasants are in deep distress in West Bengal and India. They are unable to procure subsistence requirements. Although some higher categories of land holding procured surplus as they may used more capital intensive technique of production or applied highly mechanised technique of farming.

Table: 1

		size class of land possessed (acres)							
State		<0.02	0.02-0.98	1.01-2.47	2.49-4.94	4.96-9.88	9.90-24.70	>24.70	all sizes
1		2	3	4	5	6	7	8	9
WB	INCOME	1434	1669	2383	3643	5993	3864		2079
	EXPENDITU	2308	2320	2974	3877	4754	5234		2668
	I-E	-874	-651	-591	-234	1239	-1370		-589
INDIA	INCOME	1380	1633	1809	2493	3589	5681	9667	2115
	EXPENDITU	2297	2390	2672	3148	3685	4626	6418	2770
	I-E	-917	-757	-863	-655	-96	1055	3249	-655

Average monthly income*(Rs) from wages, farm business and non- farm business per farmer household by size class of land possessed during the agricultural year 2002-03

*It excludes rent, dividend, interest and remittances.

Average monthly consumption expenditure per farmer household by size class of land possessed during the agricultural year 2002-03

Source: NSS Report No.497, 2003

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Secondly, the difference between income and expenditure from different sources is measured according to different categories of land holding in West Bengal and India during the agricultural year July 2002- June 2003. This is shown in Table: 2 and Table: 3. In Table: 2 the study revealed the case of West-Bengal. Income from wages, net receipt from cultivation, net receipt from farming of animals, net receipt from non farm business are the different sources of Income whereas total consumption expenditure and net investment in productive assets comes under the category of expenditure. There is a deficit of Rs 896, Rs 676, Rs 646 Rs 297 and Rs 1853 respectively for less than 0.02 acres, 0.02-0.98 acres, 1.01-2.47 acres 2.49-4.94 acres and 9.90-24.70 acres size class of land possessed. The condition of the peasants are very precarious. They are incapable to recover their cost. There is a surplus of Rs 1191 for 4.96-9.88 acres category. This may be due to the application of highly mechanised technique of farming.

Table: 2

Average monthly income from different sources, consumption expenditure and net investment in productive assets (Rs) per farmer household during the agricultural year (July'02-June'03)

		West-Bengal					
ze class of lai	income	net	net receipt	net	total	net	
possessed	from	receipt	from	receipt	consumption	investment	
(acres)	wages	from	farming of	from	expenditure	in	
	(Rs)	cultivation	animals	nonfarm	(Rs)	productive	(a+b+c+d)-
		(Rs)	(Rs)	business (Rs)		assets (Rs)	(e+f)
	a	b	c	d	e	f	
<0.02	996	0	45	393	2308	22	-896
0.02-0.98	865	334	70	400	2320	25	-676
1.01-2.47	943	1053	112	275	2974	55	-646
2.49-4.94	686	2225	160	572	3877	63	-297
4.96-9.88	978	4621	-33	427	4754	48	1191
9.90-24.70	722	5263	-2465	344	5234	483	-1853
>24.70							
all sizes	887	737	77	378	2668	37	-626

Source: NSS Report No. 497, 2003

In Table: 3 the study depicted the case of India and the subdivision of different categories of income and expenditure are similar to West Bengal. Here also in India the same deficit is observed according to less than 0.02 acres to 4.96-9.88 acres categories. After that, subsequently there is a surplus earnings in higher categories of land possessed by the farmer households. The probable reason behind this phenomenon is that higher size class of land possessed may enjoy the benefit of increasing returns to scale and application of highly mechanised farming. The condition of the peasants are in deep stress as their average monthly income is unable to cope up with average monthly expenditure. Thus, the consumption of the farmers are increased although their income is unable to meet the expenditure. They are in deep dilemma.

Table: 3

Average monthly income from different sources, consumption expenditure and net investment in productive assets (Rs) per farmer household during the agricultural year (July'02-June'03)

		All-India					
ze class of lai	income	net	net receipt	net	total	net	
possessed	from	receipt	from	receipt	consumption	investment	
(acres)	wages	from	farming of	from	expenditure	in	
	(Rs)	cultivation	animals	nonfarm	(Rs)	productive	(a+b+c+d)-
		(Rs)	(Rs)	business (Rs)		assets (Rs)	(e+f)
	a	b	c	d	e	f	
<0.02	1075	11	64	230	2297	40	-957
0.02-0.98	973	296	94	270	2390	37	-794
1.01-2.47	720	784	112	193	2672	96	-959
2.49-4.94	635	1578	102	178	3148	151	-806
4.96-9.88	637	2685	57	210	3685	387	-483
9.90-24.70	486	4676	12	507	4626	685	370
>24.70	557	8321	113	676	6418	737	2512
all sizes	819	969	91	236	2770	124	-779

Source: NSS Report No. 497, 2003

CONCLUSION

The secondary data analysis clearly noticed that peasants are in deep distress in West Bengal and India. Farmers are earning negative total net income. They are unable to bridge up the gap of total net income. The cost of farming community outruns return from agriculture. They are unable to procure subsistence requirements. Although some higher categories of land holding procured surplus as they may used more capital intensive technique of production or applied highly mechanised technique of farming.

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