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Agrarian Crisis India: an Aftermath of the New Economic Reforms

By Pauline Ahoy

Abstract- The National Crime Records Bureau of India reported in its 2012 annual report that 135,445 people committed suicide in India, of which 13,754 were farmers (11.2%). Of these, 5 out of 29 states accounted for 10,486 farmer's suicides (76%) – Maharashtra, Andhra Pradesh, Karnataka, Madhya Pradesh and Kerala. In 2011, a total of 135,585 people committed suicide, of which 14,207 were farmers. In 2010, 15,963 farmers in India committed suicide, while total suicides were 134,599.In 2012, the state of Maharashtra, with 3,786 farmers' suicides, accounted for about a quarter of the all India's farmer suicides total (13,754). From 1995 to 2013, a total of 296,438 Indian farmers committed suicide. During the same period, about 9.5 million people died per year in India from other causes including malnutrition, diseases and suicides that were non-farming related, or about 171 million deaths from 1995 to 2013.Farmer suicides rates in Bihar and Uttar Pradesh – two large states of India by size and population – have been about 10 times lower than Maharashtra, Kerala and Pondicherry. In 2012, there were 745 farmer suicides in Uttar Pradesh, a state with an estimated population of 205.43 million.

Keywords: agrarian crisis, farmer suicides, indian agriculture, agriculture indebtedness, new economic reform.

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Agrarian Crisis India: An Aftermath of the New Economic Reforms

Pauline Ahoy

Abstract- The National Crime Records Bureau of India reported in its 2012 annual report that 135,445 people committed suicide in India, of which 13,754 were farmers (11.2%). Of these, 5 out of 29 states accounted for 10,486 farmer's suicides (76%) – Maharashtra, Andhra Pradesh, Karnataka, Madhya Pradesh and Kerala. In 2011, a total of 135,585 people committed suicide, of which 14,207 were farmers. In 2010, 15,963 farmers in India committed suicide, while total suicides were 134,599.In 2012, the state of Maharashtra, with 3,786 farmers' suicides, accounted for about a quarter of the all India's farmer suicides total (13,754). From 1995 to 2013, a total of 296,438 Indian farmers committed suicide. During the same period, about 9.5 million people died per year in India from other causes including malnutrition, diseases and suicides that were non-farming related, or about 171 million deaths from 1995 to 2013.Farmer suicides rates in Bihar and Uttar Pradesh – two large states of India by size and population – have been about 10 times lower than Maharashtra, Kerala and Pondicherry. In 2012, there were 745 farmer suicides in Uttar Pradesh, a state with an estimated population of 205.43 million. In 2014 there were eight farmer suicides in Uttar Pradesh. According to IFFRI study number of suicides during 2005–2009 in Gujarat was 387, Kerala 905, Punjab 75 and Tamil Nadu 26. While 1802 farmers committed suicide in Chhattisgarh in 2009 and 1126 in 2010.As per National Crime Records Bureau, the number of suicides by farmers and farm laborers increased to 12,360 in 2014 against 11,772 in 2013. Activists and scholars have offered a number of conflicting reasons for farmer suicides, such as monsoon failure, high debt burdens, genetically modified crops, government policies, public mental health, personal issues and family problems. My paper will be focusing mainly on the government policies leading to agrarian crisis.

Keywords: agrarian crisis, farmer suicides, indian agriculture, agriculture indebtedness, new economic reform.

I. Introduction

Since independence in 1947 due to the inward looking restrictive form of governance India was in complete isolation .Overall backwardness and inefficiency of the economy was the aftermath. India was almost at the brink of economic crisis in July 1991. Foreign currency reserves had dwindled to almost $ 1billion which was not adequate to support import of food grains even for a fortnight , inflation had roared to an annual rate of 17%, fiscal deficit had rose to astronomical heights, foreign investors and NRI's had lost confidence in the Indian economy. The second oil shock crisis in 1979 and the Gulf War in 1990-91 added fuel to the fire. Capital was flowing out of the country and we were close to defaulting on loans. Default on debt servicing appeared imminent and the Government of India was in real trouble. Default could be avoided only if credit was made available from IMF or World Bank. Help was provided by them but on their own terms and conditions. India had no alternative but to adopt the structural adjustment programme of the IMF and World Bank as the last resort. These bottlenecks at home called for a change in the economic policies and programs. The new economic reforms popularly known as **LPG (liberalization, privatization and globalization)** model initiated by the then finance minister Dr Man Mohan Singh in the early nineties included –

a) Devaluation of Indian currency by 18 to 19% against major foreign currencies in the international foreign exchange market

b) Disinvestment where most of the public sector undertakings (PSUs) were sold to private sectors.

c) Foreign Direct Investment (FDIs) where wide range of sectors were opened for the foreign investors namely telecom, roads, ports, airports, insurance, defence industries, pharmaceuticals, petroleum, manufacturing, chemicals, aviation , seed markets etc.

II. Review of Literature

a) *Examining Farmer Suicides in India: A Study of Literature by Mukherjee, Sanchita (2009):* Farmer's suicides are not a phenomenon by itself; rather it is an extreme manifestation of the underlying agrarian crisis prevailing within the country for a long period of time. In recent time period this menace has turned out to be an epidemic, which has rocked the whole country. According to official records, around 160,000 farmers have committed suicide since 1997 .These numbers are enough to pass a chill down the spine! According to literatures most affected states are: Maharashtra (Vidharbha), Andhra Pradesh (Telengana, Warrangal, Rayalaseema, etc), Karnataka (Northern Karnataka), Kerala (Wayanad) and Chhattisgarh. The reasons cited by the literatures highlights rural indebtedness as one of the major factor. Policies associated with the process of liberalisation imposed stress on peasantry of the country by withdrawing formal

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supports towards the sector, which in turn made farmers dependent on non-institutional sources such as private moneylenders and private agents. Seed sector liberalisation has not only brought private players in agriculture but also encouraged monoculture of hybrid cash crops requiring costly inputs, which eventually gets transformed into debt. This situation coupled with crop failure due to pest attack, climatic change and lack of irrigation led to mismatched expectation of farmers and indebtedness. Agonized farmers found solution to all these woes in the forbidden path of committing suicide.

b) *Agricultural Growth Deceleration in India: A Review of Explanations: Kakar Lapudi, Kiran Kumar(2010):* Since the inception of economic reforms, Indian economy has achieved a remarkable rate of growth. This fantabulous performance, to a large extent, was driven by service sector and improvements in the secondary sector. However, this growth process bypassed the agricultural sector, which showed sharp deceleration in the growth rate (3.62 percent during 1984/85 - 1995/96 to 1.97 percent in 1995/96 – 2004/05). Given the relevance of the sector for employment and rural development the declining trend in agricultural growth has emerged as a major concern for researchers and policymakers. The sector has recorded wide variations in yield and productivity and there was a shift towards cash crop cultivations. Moreover, agricultural indebtedness pushed several farming households into poverty and some of them resorted to extreme measures like suicides. In this context, the present paper reviews the performance of the Indian agriculture since reforms and compares it with pre-reforms conditions. The review also concludes that much of the slowdown in agriculture is caused due to factors such as infrastructure, technology and environmental factors, lack of political commitment and poor implementation of policies.

c) *The political economy of farmer suicides in India: indebted cash crops farmers with marginal landholdings explain state-level variation in suicide rates---Jonathan Kennedy and Lawrence King:* The liberalization of the agricultural sector in the early 1990's led to an agrarian crisis and that consequently farmers with certain socio-economic characteristics, cash crop cultivators with marginal landholdings and debt are at particular risk of committing suicide.

III. Sources of Data and Methodology

In the present study an attempt has been made to study the impact of globalization on the agricultural sector of India. The study has been based on secondary information and sees the picture of post globalisation in India through the lens of agriculture.

IV. Results & Discussion

The reforms sought to gradually phase out government control from the market (liberalization), privatize public sector undertakings (privatization) and reduce export subsidies and import barriers to enable free trade (globalization).There was considerable amount of debate in India at the time of the introduction of the reforms, it being a dramatic departure from the protectionist, socialist nature of the Indian economy until then. In the years since its independence, India has made immense progress towards food security. Indian population has tripled, but food-grain production more than quadrupled; there has thus been substantial increase in available food-grain per capita. Prior to the mid-1960s India relied on imports and food aid to meet domestic requirements. However, two years of severe drought in 1965 and 1966 convinced India to reform its agricultural policy, and that India could not rely on foreign aid and foreign imports for food security. India adopted significant policy reforms focused on the goal of food grain self-sufficiency. This ushered in India's Green Revolution. It began with the decision to adopt superior yielding, disease resistant wheat varieties in combination with better farming knowledge to improve productivity. The Indian state of Punjab led India's green revolution and earned itself the distinction of being the country's bread basket. The initial increase in production was centered on the irrigated areas of the Indian states of Punjab, Haryana and western Uttar Pradesh. With both the farmers and the government officials focusing on farm productivity and knowledge transfer, India's total food grain production soared. A hectare of Indian wheat farms that produced an average of 0.8 tons in 1948 produced 4.7 tons of wheat in 1975 from the same land. Such rapid growths in farm productivity enabled India to become self-sufficient by the 1970s. It also empowered the smallholder farmers to seek further means to increase food staples produced per hectare. By 2000, Indian farms were adopting wheat varieties capable of yielding 6 tons of wheat per hectare. With agricultural policy success in wheat, India's Green Revolution technology spread to rice. However, since irrigation infrastructure was very poor, Indian farmer innovated tube-wells, to harvest water. When gains from the new technology reached their limits in the states of initial adoption, the technology spread in the 1970s and 1980s to the states of eastern India — Bihar, Orissa and West Bengal. The lasting benefits of the improved seeds and new technology extended principally to the irrigated areas which account for about one-third of the harvested crop area. In the 1980s, Indian agriculture policy shifted to "evolution of a production pattern in line with the demand pattern" leading to a shift in emphasis to other agricultural commodities like oilseed, fruit and vegetables. Farmers began adopting improved methods and technologies in dairying, fisheries and livestock, and meeting the diversified food needs of India's growing

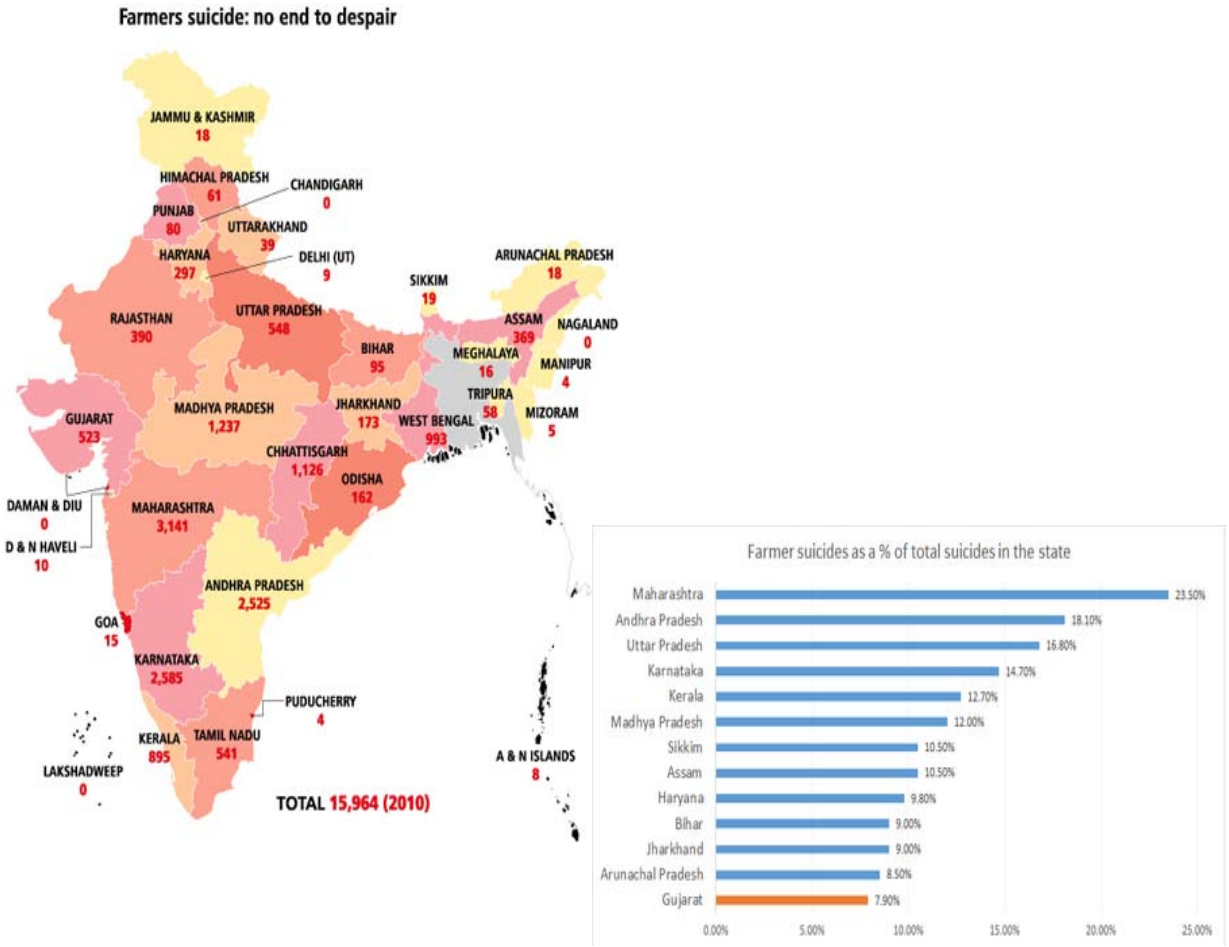
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population. As with Rice, the lasting benefits of improved seeds and improved farming technologies now largely depends on whether India develops infrastructure such as irrigation network, flood control systems, reliable electricity production capacity, all season rural and urban highways, cold storage to prevent food spoilage, modern retail, and competitive buyers of products from the Indian farmer. This is increasing the focus of Indian agriculture policy. India's agricultural economy is undergoing structural changes. Between 1970 and 2011, the GDP share of agriculture has fallen from 43% to 16% and further to 13.7% in 2013. This isn't because of reduced importance of agriculture but is largely due to the new economic reforms -- LPG (liberalization, privatization and globalization).

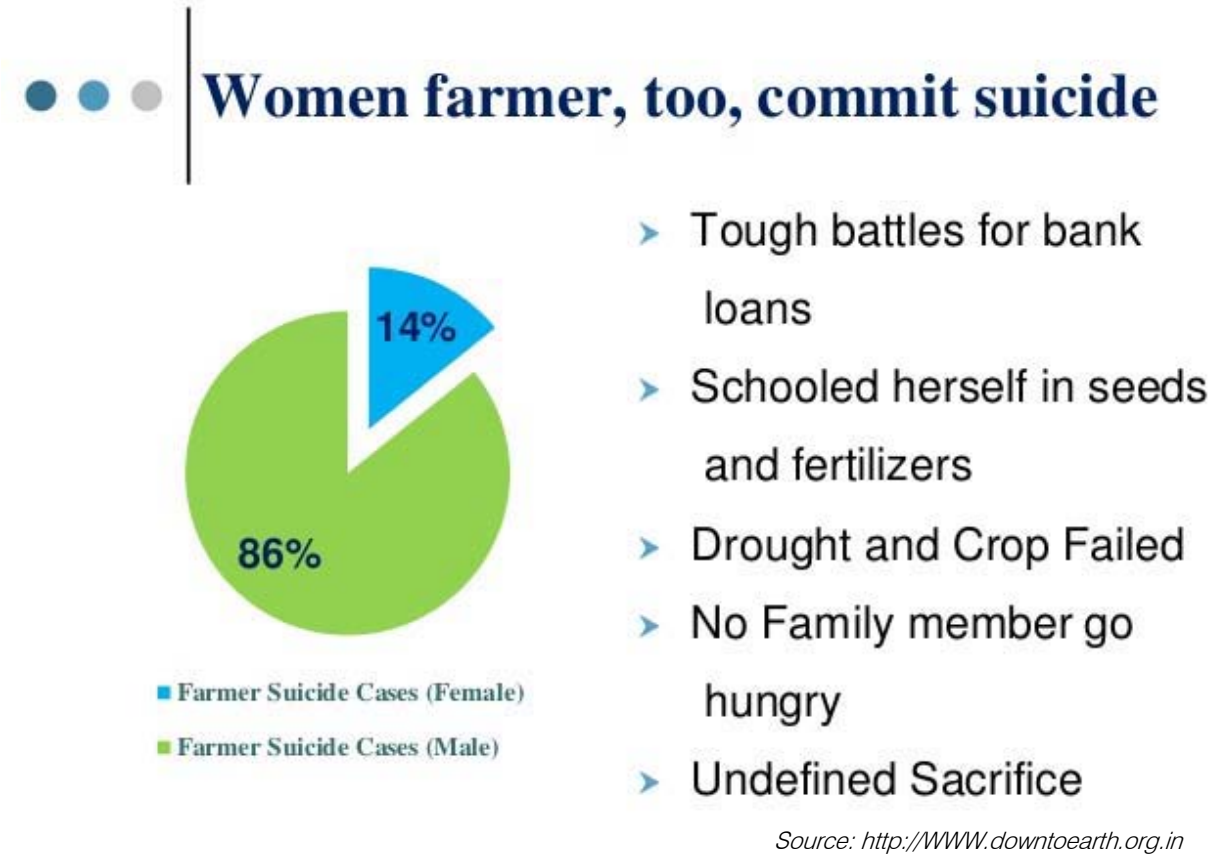
Reforms in the agricultural sector in particular came under severe criticism in the late 1990s, when 221 farmers in the south Indian state of Andhra Pradesh committed suicide. Agriculture employs 60% of the Indian population today, yet its contribution to GDP is poor. Agricultural production fell by 12.6% in 2003, one of the sharpest drops in independent India's history. Agricultural growth slowed from 4.69% in 1991 to 2.6% in 1997-1998 and to 1.1% in 2002-2003. (Agricultural Statistics at a Glance, 2006) This slowdown in agriculture is in contrast to the 6% growth rate of the Indian economy for almost the whole of the past decade. Farmer suicides were 12% of the total suicides in the country in 2000, the highest ever in independent India's history. (Unofficial estimates put them as high as 100,000 across the country, while government estimates are much lower at 25,000. This is largely because only those who hold the title of land in their names are considered farmers, and this ignores women farmers who rarely hold land titles, and other family members who run the farms).

Agriculture seems to be at an advanced stage of crisis, the most extreme manifestation is in the rise in the number of suicides amongst farmers. On an average one Indian farmer committed suicide every 32 minutes between 1997 and 2005. Since 2002, this has become one suicide every 30 minutes.

Is this an "incredible "India ?



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a) Reasons for Agrarian Crisis

1) *High input costs:* The biggest input for farmers is seeds. Before liberalisation, farmers across the country had access to seeds from state government institutions. The institutions produced its own seeds, were responsible for their quality and price, and had a statutory duty to ensure that seeds were supplied to all the regions in the state, no matter how remote. The seed market was well regulated, and this ensured quality in privately sold seeds too. With liberalization, India's seed market was opened up to global agribusinesses like Monsanto, Cargill and Syn Genta. Also, following the deregulation guidelines of the IMF many state government institutions were closed down in 2003. These hit farmers doubly hard: in an unregulated market, seed prices shot up, and fake seeds made an appearance in a big way. Seed cost per acre in 1991 was Rs. 70 but in 2005, after the dismantling of state organizations, the price jumped to Rs. 1000, a hike of 1428%, with the cost of genetically modified pest resistant seeds like Monsanto's BT Cotton costing Rs. 3200 or more per acre, a hike of 3555%. Expecting high yields, farmers invested heavily in such seeds but alas 35% of their investments in seeds were a waste. The claims of Monsanto that their seeds produce higher yields and are pest resistant are highly disputed. Output is not commensurate with the heavy investment in the seeds, and farmers are pushed into debt. The abundant availability of spurious seeds is another problem which leads to crop failures. Tempted by their lower price farmers invest heavily in these seeds, and again, low output pushes them into debt. Earlier, farmers could save a part of the harvest and use the seeds for the next cultivation, but some genetically modified seeds, known as Terminator, prevent harvested seeds from germinating, hence forcing the farmers to invest in them every season.

2) *Cutback in agricultural subsidies and low output cost:* Farmers were encouraged to shift from growing a mixture of traditional crops to export oriented 'cash crops' like chili, cotton and tobacco. These need far more inputs, pesticide, fertilizer and water than traditional crops. Liberalisation policies reduced pesticide and fertilizer subsidy (another explicit condition of the IMF agreement) . Fertilizer prices have increased by 300% and electricity tariffs have also been increased .Pre-liberalisation, subsidised electricity was a success, allowing farmers to keep costs of production low. These

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costs increased dramatically when farmers turned to cultivation of cash crops, needing more water and higher consumption of electricity.

3) *Reduction on import barriers:* With a view to open India's markets, the liberalization reforms also withdrew tariffs and duties on imports, which protect and encourage domestic industry. By 2001, India completely removed restrictions on imports of almost 1,500 items including food. As a result, cheap imports flooded the market, pushing prices of crops like cotton and pepper down. Import tariffs on cotton now stand between 0 - 10%, encouraging imports into the country. This excess supply of cotton in the market led cotton prices to crash more than 60% since 1995. As a result, most of the farmers in Maharashtra who were concentrated in the cotton belt committed suicides (after which paddy farmers followed the suicide trend). Similarly, Kerala, which is world renowned for pepper, has suffered as a result of 0% duty on imports of pepper from SAARC5 countries. Pepper, which sold at Rs. 27,000 a quintal in 1998, crashed to Rs. 5000 in 2004, a decline of 81%. As a result, Indian exports of pepper fell by 31% in 2003 from the previous year. Combined with this, drought and crop failure has hit the pepper farmers of Kerala hard, and have forced them into a debt trap. Close to 50% of suicides among Kerala's farmers have been in pepper producing districts.

4) *Paucity of credit facilities:* After 1991 the lending pattern of commercial banks, including nationalised banks, to agriculture drastically 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 who charge exorbitant rate of interest sometimes even up to 24% a month and has thus pushed up the expenditure on 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 farmer's suicides were due to the debt trap. It is part of the policy of privatisation that banks, even nationalised banks, look for profit over their social responsibilities to the people. Credit extended to farmers was reduced dramatically, falling to 10.3% in 2001 against a recommended target of 18%.

5) *Decline of government investment in rural development:* Studies show that after the economic reforms the government's expenditure and investment in the agricultural sector has reduced drastically. This is based on the policy of minimum intervention by the government enunciated by the policy of globalisation. The expenditure of the government in rural development, including agriculture, irrigation, flood control, village industry, energy and transport, declined from an average of 14.5 per cent in 1986-1990 to six per cent in 1995-2000. When the economic reforms started, the annual rate of growth of irrigated land was 2.62 per cent; later it got reduced to 0.5 per cent in the post-reform period. India has very poor rural roads affecting timely supply of inputs and timely transfer of outputs from Indian farms. Irrigation systems are inadequate leading to crop failures in some parts of the country because of lack of water. In other areas regional floods, poor seed quality and inefficient farming practices, lack of cold storage and harvest spoilage cause over 30% of farmer's produce going to waste. The Indian farmer receives just 10 to 23% of the price the Indian consumer pays for exactly the same produce, the difference going to middlemen who are the parasites for the society. Irrigation facilities are inadequate, as revealed by the fact that only 52.6% of the land was irrigated in 2003–04, which result in farmers still being dependent on rainfall. Primary education in rural areas is mismanaged and is of bad quality and there is no system which helps agricultural workers find alternative employment.

6) *Restructuring of the Public Distribution System (PDS):* As part of the neo-liberal policy, the government restructured the PDS by creating two groups—Below Poverty Line (BPL) and Above Poverty Line (APL)—and continuously increased the prices of food grains distributed through ration shops. As a result, even the poor people did not buy the subsidized food grains and it got accumulated in godowns to be spoiled or sold in the open market. As the in-take from PDS was less it has affected the food security of the poor, especially in the rural areas, and this has indirectly affected the market and the farmers.

7) *Special Economic Zone:* As part of the economic reforms, the system of taking over land by the government for commercial and industrial purposes was introduced in the country. As per the Special Economic Zones Act of 2005, the government has so far notified about 400 such zones in the country. Very often it is fertile land which has been acquired. The government has acquired five million hectares of land for purposes other than agriculture between 1991 and 2003. This is almost half of what was acquired during the last 40 years. It was in the news that the government decided to acquire 10,120 hectares of land near Mumbai (almost one-third area of Mumbai) for the Reliance Company and reduced it to 5000 hectors due to public pressure. Since the SEZ deprives the farmers of their land and livelihood, it is harmful to agriculture. In order to promote export and industrial growth in line with globalisation the SEZ was introduced in many countries.

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b) Suggestions for improvement of agricultural sector

1) Necessary import duty and quantitative restrictions should be imposed on imported goods to protect our farmers.
2) Subsidy and concessions given to agriculture but removed in the post-reform period should be restored.
3) Bank loans should be easily made available to the farmers on favorable terms and conditions. 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. 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. Development of marketing, storage, and rural godown, cold storage infrastructure must be advocated.
5) 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.
6) 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.
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.

V. Conclusion

The agricultural sector in India is facing a crisis today. The LPG 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. It is high time that the government and the people realise 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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