

Challenges in Agriculture

The union government's announcement of the Rs.17,000 crore rehabilitation package for farmers in the 31 suicide-prone districts of AP, Karnataka, Kerala and Maharashtra focuses attention on the plight of agricultural sector in a fast-growing economy. Emphasis on irrigation, interest waiver, watershed development, seed replacement and dairy industry is welcome.

However, the deeper causes of agrarian crisis need to be critically examined and addressed. Three fundamental long-term trends have led to the prolonged crisis. First, agricultural commodity prices have been declining world-wide and in India for decades. The recent growth spurt in global economy witnessed steep rise in the prices of industrial raw materials. But food prices are stagnant, as greater prosperity does not increase food consumption beyond a point, and higher production actually depresses prices. Second, the restrictive trade and pricing policies of agricultural commodities had caused immense damage to farm sector for decades until the 90's, and weakened rural economy and farmers' capacity to withstand shocks. Belated efforts to restore balance in the terms of trade coincided with accelerated shift to services, leading to neglect and decline of agriculture. Third, the share of agriculture in the gross capital formation (GCF) fell dramatically over two decades from 15.4% in 1980-81 to 8% in 2001-02. As a share of GDP, GCF in agriculture fell from 3.5% to 1.6% during this period.

The crisis has been aggravated by distorted priorities and irrational policies of governments over the years. Three examples will suffice. Free power or un-metered power at fixed slab rates promoted excessive investment and over exploitation of ground water, and eventually led to water depletion, failed tube wells, indebtedness and impoverishment. Stultifying state control and consequent corruption and cronyism in cooperatives undermined a potentially vibrant support system, denying farmers credit, quality inputs, market access, processing facilities, technology and management. Undemocratic and unaccountable control of markets in most states denied farmers market intelligence and bargaining power, and made them vulnerable to money lenders, extortionists and mafias.

The misery of rural populace has been compounded by the criminal neglect and failure of state in education and healthcare. Even poor farmers and labourers are forced to spend huge sums out-of-pocket for indifferent private schooling and hospital costs. A high proportion of rural families incur huge debts at usurious interest rates to meet rising hospital costs, driving many to despair.

Even a casual glance at the comparative trends of GDP growth in farm and non-farm sectors indicates the magnitude and gravity of the crisis afflicting agriculture. About 55% of the population dependent on agriculture shares only 20% of the GDP. In effect, the income per capita of this vast population is only one-fifth of the rest of the people dependent on industry and services. With agriculture growing at 2% and the rest of the economy recording over 9% annual growth, the share of agriculture is failing each year by almost 1% of GDP. If the current trends continue, agriculture's share of GDP will

decline to about 14% by 2014. Even maintenance of the income per capita differential of 5:1 between other sectors and agriculture would require a shift of about 11% of population from agriculture to non-agricultural occupations, reversing the current ratio of 55:45. Given the slow rise in employment opportunities in non farm sector, such a huge occupational shift seems impossible; which means that agricultural incomes will register a further relative decline from the current ratio of 1:5! Clearly, the majority of the population has no place in the growth bandwagon, making rapid growth unsustainable, and society and polity unstable.

The farm crisis needs a robust, all-out response from the Indian state. Certainly we need to invest heavily in agriculture, harness every drop of water, and enhance productivity through better inputs and extension. But much more needs to be done.

“First, wherever farmers need protection from cheap imports, tariffs need to be raised. Cotton is a good example. Foreign governments are heavily subsidizing their cotton farmers, and Indian farmers are unable to compete because of low import duty. It is no accident that a large proportion of suicides are in cotton belt. Second, national policies must be pursued in respect of ground water, cooperatives and markets. Judicious price incentives will remove distortions in ground water use, and democratization, member-control and competition will liberate the cooperatives and agricultural markets from the clutches of corrupt politicians and bureaucrats, and unscrupulous money lenders and mafias.

Third, the focus should be on value addition, particularly in case of perishable crops. Extreme price fluctuations and distress sales can easily be prevented by creating a network of processing industries, guaranteeing fair price to both farmers and consumers. Fourth, a massive programme should be launched to promote high value crops like medicinal plants, and bio fuels. India is well-placed to take advantage of the next agricultural revolution in the offing, as both food and fuel will compete for the same land, with the end of the era of cheap oil.

Fifth, special attention needs to be paid to artisans, occupational groups, animal husbandry, poultry and fishery sectors. Agricultural crisis acutely affects the artisans and occupational groups in villages, and skills, credit, market linkages and a measure of social security to them are critical. Sixth, we need to develop urban amenities in rural areas and promote non-farm activities and services sector.

Finally, the state needs to focus on its core functions and guarantee good quality, accessible, free education and healthcare to all citizens. Much of the rural distress is the consequence of state's failure in basic services. We cannot sustain high growth rates, nor can we alleviate rural distress, without transforming our politics and governance.

Jayaprakash Narayan

The author is the Coordinator of VOTEINDIA – a national campaign for political reforms;
Email: loksatta@satyam.net.in; info@voteindia.org; Url: www.loksatta.org; Url:
www.voteindia.org