

Agrarian Crisis – An Overview

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India's agrarian economy circa 1950

- Extremely backward agriculture at independence following the devastation wrought by two centuries of colonial exploitation
- Food grain output per capita around 1950 less than 150 kilograms per annum
- Less than one sixth of cultivated area irrigated
- Significant presence of pre-capitalist relations of production, with absentee landlordism, zamindari, worst forms of tenancy, bonded labour and so on

India's agrarian economy: Overview of progress, 1950-2012

- Limited land reforms in the 1950s and 1960s, including legislations on abolition of absentee landlordism and zamindari, and some tenurial reforms
- However, land ceiling legislations largely ineffective in breaking land monopoly and concentration of land ownership
- Significant break with the stagnation of the colonial period, with food grain output growing at an annual compound rate of over 3 % per annum from 1950 to mid 1960s, primarily through increase in area cultivated

India's agrarian economy: Overview of progress, 1950-2012

- The food grain crisis of the mid 1960s: “Ship to mouth” existence
- The New Agricultural Strategy or ‘Green Revolution’-Key role of the State
- Agricultural and food grain growth sustained at about 3 % per annum during the period from mid 60s to end 70s, with considerable fluctuations
- Green Revolution: Strengths and Weaknesses

India's agrarian economy: Overview of progress, 1950-2012

- Rapid growth in the 1980s at 4 % per annum, mainly on account of expansion of the green revolution
- Significant expansion of government spending on the rural economy, enhancing rural demand and employment
- However, as investment in agriculture declined, growth prospects came under pressure
- With liberalization, terms of trade began to move against agriculture

India's agrarian economy: Overview of progress, 1950-2012

- 1991: Neoliberal reforms promote liberalization, privatization and globalization
- State support to agriculture curtailed with a view to reducing subsidies to meet fiscal deficit targets under the World Bank-IMF SAP agenda. As a result, input costs rise sharply.
- Financial liberalization reduces access to institutional credit for agriculture and leads to a sharp rise in real interest rates.
- Opening up the economy to imports of agricultural products at a time of global deflation in agricultural prices leads to crash in output prices

RESULT: MASSIVE AGRARIAN DISTRESS

Reform Policies

- Dismantling controls and “freeing” private players
- Privatization, with related “incentives”
- Opening up the economy to “free” cross border flows of capital and commodities
- Exclusive focus on reducing the fiscal deficit by reducing expenditure

Agricultural Policy : Deflationary

- Focus on fiscal deficit reduction: Subsidies cut, leading to sharp rise in input costs
- Import controls removed, resulting in a sharp rise in agricultural imports and crash in output prices in the late 1990s/early 2000s
- Financial liberalization leading to reduction in institutional credit and rise in interest rates
- Reduction in rural development expenditure in relative terms affecting both supply infrastructure and demand
- Cutback in public investment weakening infrastructure support, farm extension services and national agricultural research system
- Collapse of the PDS on account of targeting

The Agrarian Crisis/Distress

- Tens of thousands of farmers' suicides since 1998
- Slowing down of agricultural growth to 0.4 % per annum between 1994-95 and 2004-05
- Rate of growth of foodgrain output fell sharply to 0.5 % over the same period
- Sharp decline in the growth rate of yields of all major crops except cotton between 1991 and 2010

Annual Rates of Growth

| Period | Food Grain | All Agriculture |
|------------------|------------|-----------------|
| 1950-51 to 64-65 | 3.0 | 3.3 |
| 1965-66 to 74-75 | 3.4 | 3.2 |
| 1975-76 to 84-85 | 2.5 | 2.6 |
| 1985-86 to 94-95 | 3.1 | 4.1 |
| 1994-95 to 04-05 | 0.7 | 0.6 |

Source: C.P.Chandrasekhar, The Progress of Reform and the Retrogression of Agriculture, Accessed at www.macrosan.com

Area, Production and Yield of Food Grains, 1996-97 to 2006-07

| Year | Area (Milln Ha) | Production (Milln tonnes) | Yield (Kg/Ha) |
|-----------------|----------------------------|--------------------------------------|--------------------------|
| 1997-98 | 123.85 | 192.26 | 1552 |
| 1998-99 | 125.17 | 203.60 | 1627 |
| 1999-00 | 123.11 | 209.80 | 1704 |
| 2000-01 | 121.05 | 196.81 | 1626 |
| 2001-02 | 122.78 | 212.85 | 1734 |
| 2002-03 | 113.86 | 174.77 | 1535 |
| 2003-04 | 123.45 | 213.19 | 1727 |
| 2004-05 | 120.08 | 198.36 | 1652 |
| 2005-06 | 121.60 | 208.60 | 1715 |
| 2006-07* | 124.07 | 211.78 | 1707 |

Area, Production and Yield of Food Grains, 2007-08 to 2011-12

| YEAR | AREA MHA | PRODUCTION MT | YIELD Kg/Ha |
|---------|-------------|------------------|----------------|
| 2007-08 | 124.1 | 230.8 | 1860 |
| 2008-09 | 122.8 | 234.4 | 1909 |
| 2009-10 | 121.3 | 218.1 | 1798 |
| 2010-11 | 126.7 | 244.5 | 1930 |
| 2011-12 | 125 | 257.4 | 2059 |

***Annual rate of growth of yield of major crop groups,
1967-81, 1981-91 and 1991-2010 in per cent***

| CROP | 1967-81 | 1981-91 | 1991-2010 |
|------------|---------|---------|-----------|
| Cereals | 2.11 | 3.64 | 1.61 |
| Pulses | -0.59 | 1.94 | 0.42 |
| Food grain | 1.83 | 3.51 | 1.51 |
| Oilseeds | 0.68 | 3.1 | 1.47 |
| Cotton | 2.26 | 2.32 | 3.06 |
| Sugarcane | 1.3 | 2.01 | 1.63 |

Annual rate of growth of production of major crop groups, 1967-81, 1981-91 and 1991-2010 in per cent

| | 1967-81 | 1981-91 | 1991-2010 |
|------------|---------|---------|-----------|
| Cereals | 2.56 | 3.32 | 1.45 |
| Pulses | -0.11 | 1.7 | 0.33 |
| Food grain | 2.29 | 3.2 | 1.37 |
| Oilseeds | 1.45 | 6.41 | 1.96 |
| Cotton | 2.26 | 2.06 | 4.37 |
| Sugarcane | 2.53 | 4.02 | 1.44 |

GDP growth at factor cost in 1999-2000 Prices

Tenth Plan

Agriculture and Allied Sectors

Total Economy

| | | |
|---------|------|-----|
| 2002-03 | -7.2 | 3.8 |
| 2003-04 | 10.0 | 8.5 |
| 2004-05 | 0.0 | 7.5 |
| 2005-06 | 5.9 | 9.4 |
| 2006-07 | 3.8 | 9.6 |

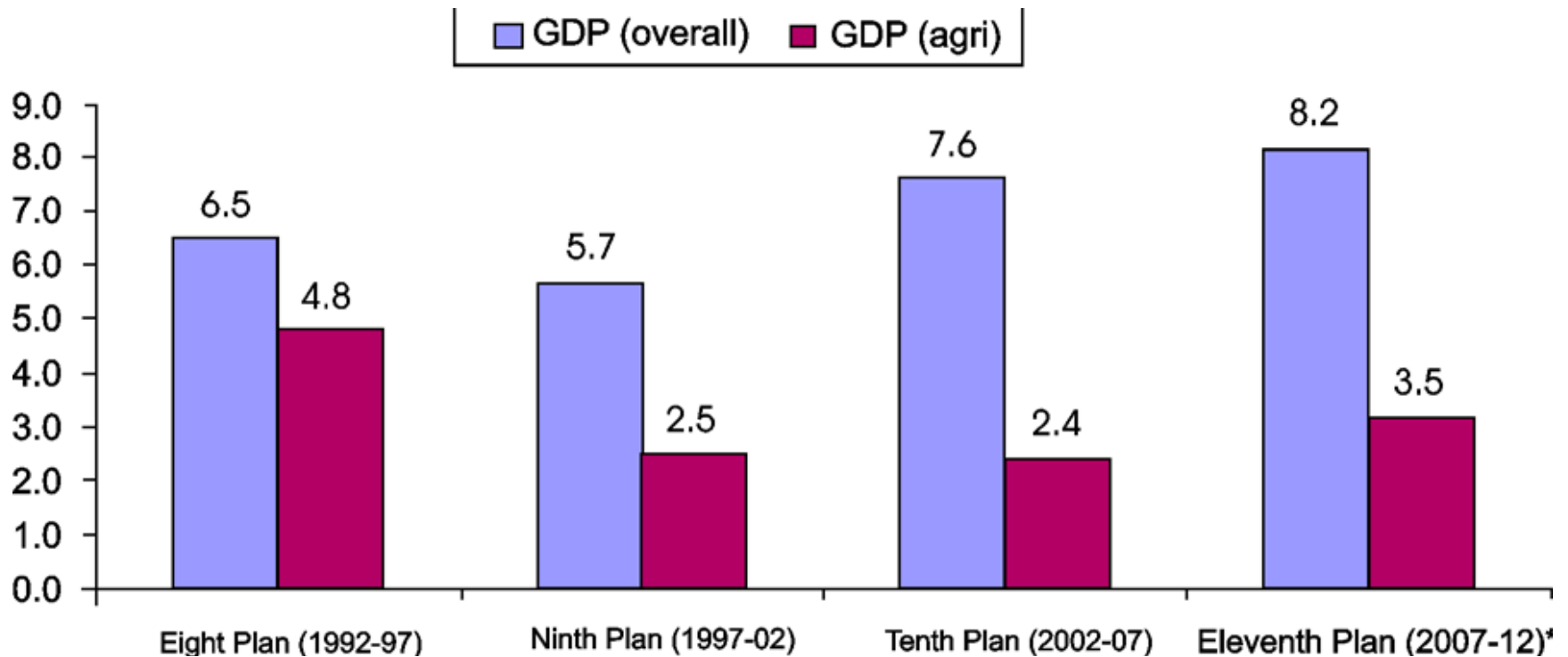
Eleventh Plan

| | | |
|--------------------------|-----|-----|
| 2007-08 | 4.7 | 9.2 |
| 2008-09 | 1.6 | 6.7 |
| 2009-10 Revised Estimate | 0.2 | 7.4 |

Triennium 2009-10 over triennium 2004-05 **3.4** **8.6**

11th Plan Average (2007-2010) **2.2** **7.7**

Growth Rates of Economy and Agriculture, 1992-2012



Growth rates**1980-91****1991-97****1997-2006**

GIA

2.3

2.6

0.0

Elect cons agri

14.1

9.4

- 0.5

NPK Use

8.2

2.5

2.3

Cropping Intensity

0.5

0.4

0.1

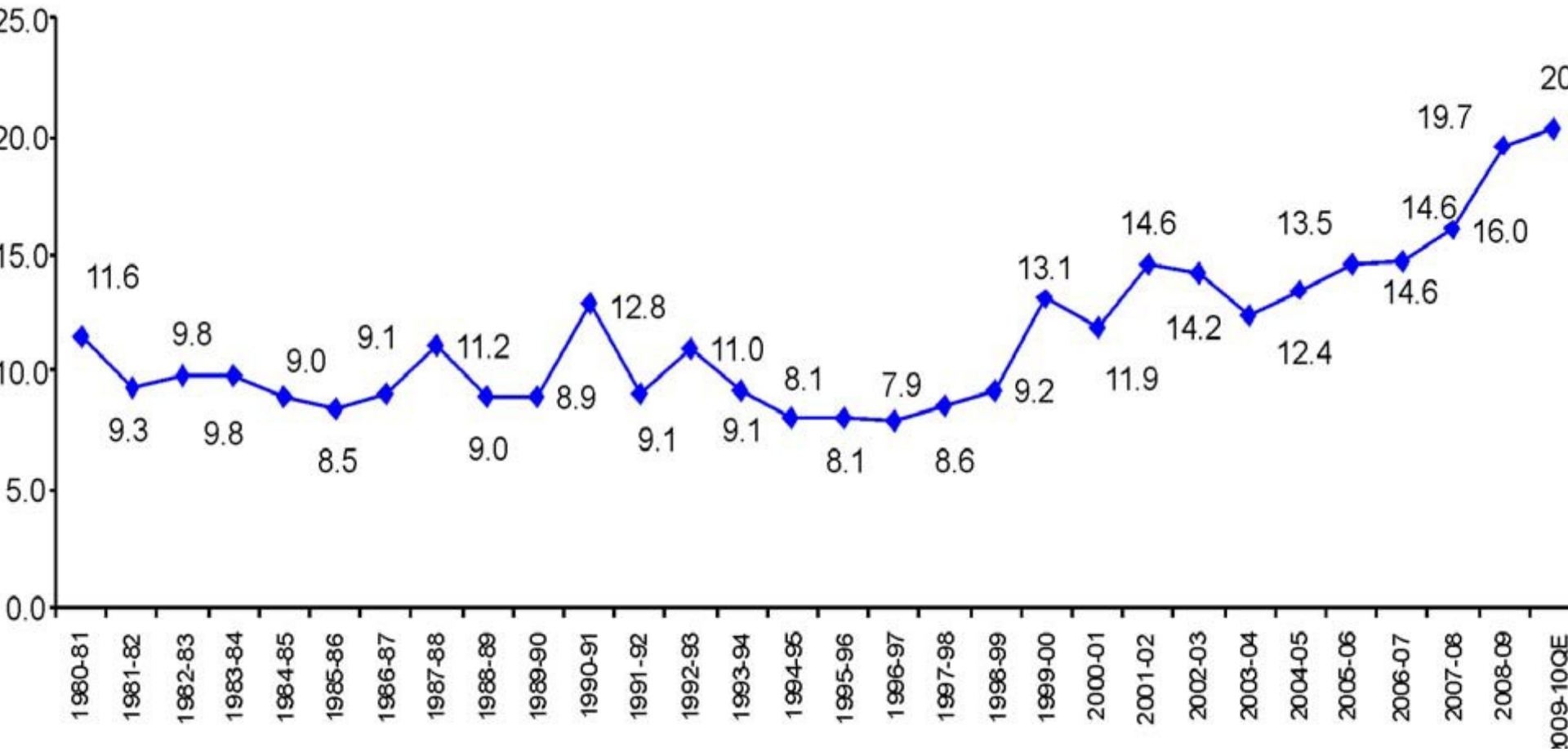
Public Investment in Agriculture as per cent Agri GDP, India,

| Year | Public Investment in agriculture, %Agri GDP |
|---------|---|
| 1991-92 | 2 |
| 1992-93 | 2 |
| 1993-94 | 2 |
| 1994-95 | 2.2 |
| 1995-96 | 2.2 |
| 1996-97 | 2 |
| 1997-98 | 1.8 |
| 1998-99 | 1.6 |
| 1999-00 | 1.9 |
| 2000-01 | 1.8 |
| 2001-02 | 2.1 |
| 2002-03 | 2 |
| 2003-04 | 2.3 |
| 2004-05 | 2.9 |
| 2005-06 | 3.4 |

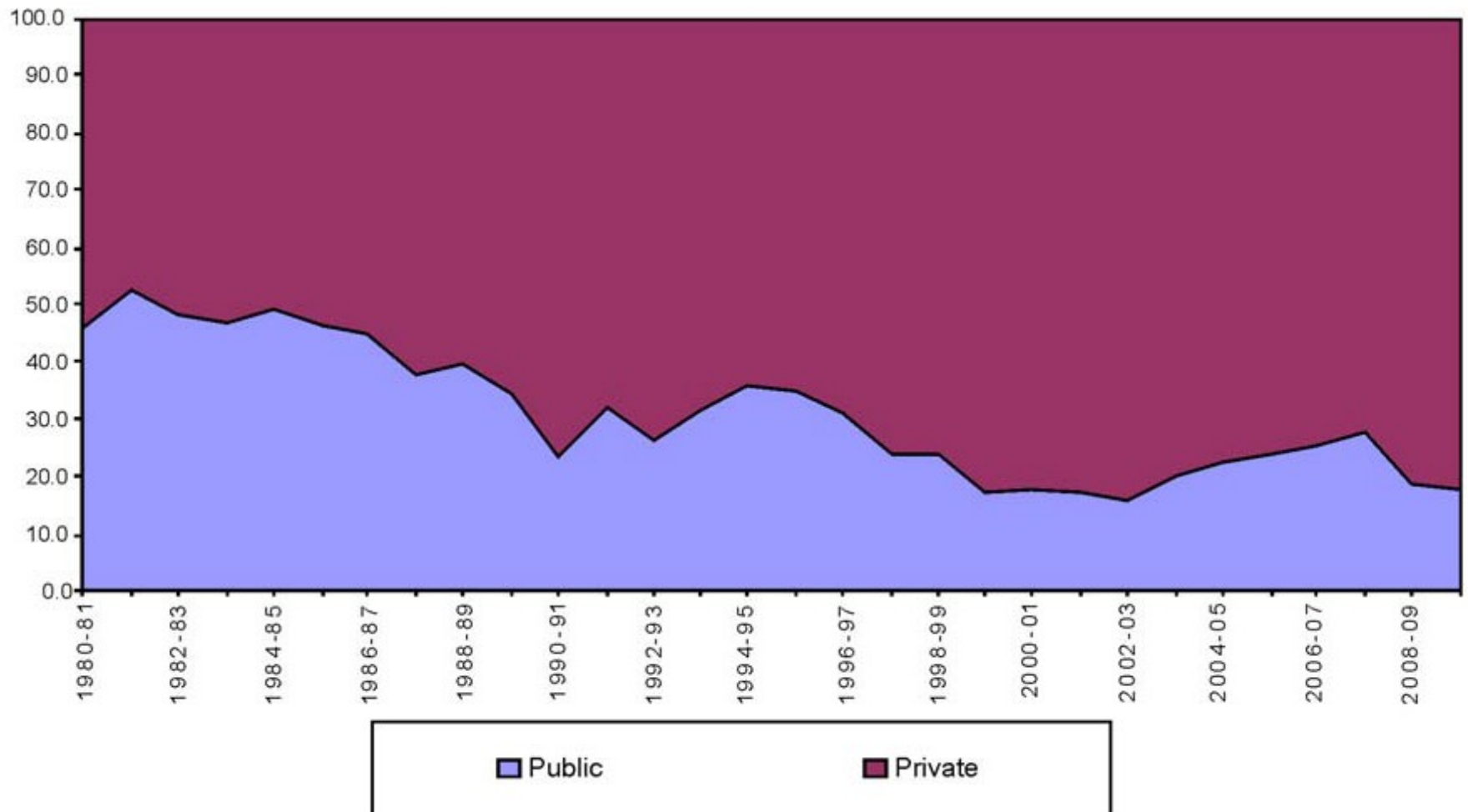
Gross Capital Formation in Agriculture

- Between 1999-2000 and 2003-04, the share of public sector in gross capital formation (GCF) in agriculture averaged less than 20 per cent
- Between 2004-05 and 2008-09, this figure averaged nearly 26 per cent
- Agricultural GCF rose from an average of 11.4 per cent of agricultural GDP between 1999-00 and 2003-04 to an average of 13.6 per cent between 2004-05 and 2008-09
- Central Plan allocations for agriculture and allied activities as a share of total plan outlay has remained stagnant at 2.4 per cent both in the 10th and in the 11th Plan periods

Agricultural Gross Capital Formation as % of Agricultural GDP



Share of Public and Private Investment in Agriculture



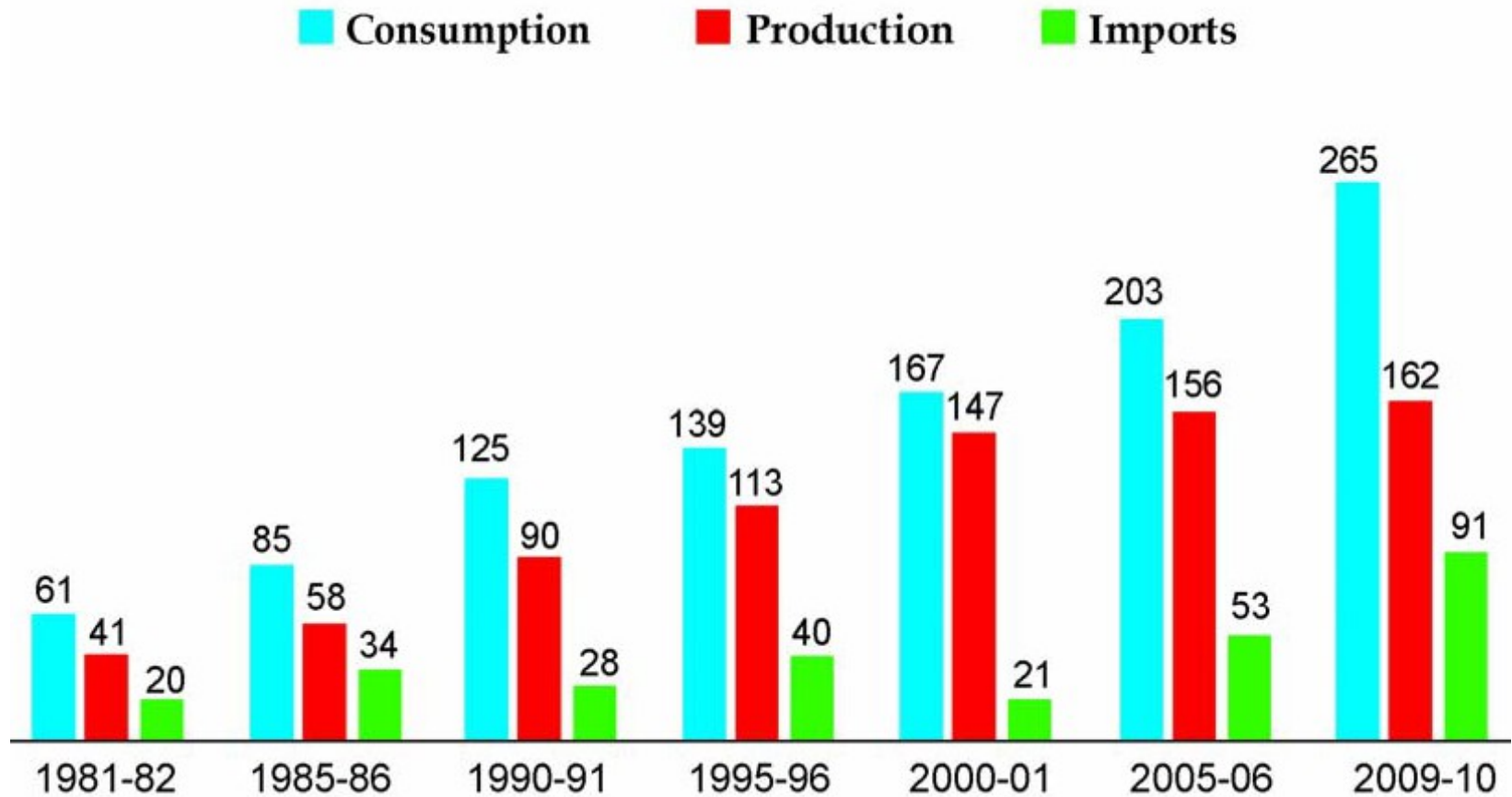
Public and Private Investment in Agriculture and Allied Activities as % GDP at market prices

| YEAR | Pubic Investment in Agriculture and Allied Activities as % GDP | Private Investment in Agriculture and Allied Activities as % GDP | Total as % GDP |
|-----------|--|--|----------------|
| 2004 - 05 | 0.5 | 1.8 | 2.3 |
| 2005-06 | 0.6 | 1.9 | 2.5 |
| 2006-07 | 0.6 | 1.8 | 2.4 |
| 2007-08 | 0.5 | 1.9 | 2.4 |
| 2008-09 | 0.5 | 2.4 | 2.9 |
| 2009-10 | 0.5 | 2.3 | 2.8 |
| 2010-11 | 0.4 | 2.3 | 2.7 |

Fertiliser Consumption, Kg/Ha

| | 1991-92 | 1995-96 | 2000-01 | 2005-06 | 2009-10 | 2010-11 | 2011-12 |
|-----------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Consumption of Fertilisers, Kg/Ha | 69.84 | 74.02 | 89.63 | 105.5 | 137.81 | 146.32 | 144.33 |

Consumption, Production and Imports of Fertilisers, Lakh Tonnes



***Numbers of selected types of machines, 1982, 1992
and 2003, rural India in hundred units***

| Types of machines | Years | | |
|--|-------|-------|-------|
| | 1982 | 1992 | 2003 |
| Power operated sprayer/duster | 1158 | 2917 | 5546 |
| Diesel engine pumpsets used in agriculture | 32282 | 44812 | 70927 |
| Electric pumpsets used in agriculture | 34160 | 58128 | 78957 |
| Power tillers used for agricultural purposes | 755 | 3209 | 2682 |
| Tractors used for agricultural purposes | 4982 | 11815 | 22600 |
| Combine harvester | 386 | 3991 | 4073 |

Sales of Tractors and Power Tillers

| Year | Tractor Sales (Numbers) | Power Tiller Sales (Numbers) |
|-------------------------|-------------------------|------------------------------|
| 2004-05 | 2,47,531 | 17,481 |
| 2005-06 | 2,96,080 | 22,303 |
| 2006-07 | 3,52,835 | 24,791 |
| 2007-08 | 3,46,501 | 26,135 |
| 2008-09 | 3,42,836 | 35,294 |
| 2009-10 | 3,93,836 | 38,794 |
| 2010-11 | 5,45,109 | 55,000 |
| 2011-12 (Upto December) | 4,19,270 | 39,900 |

Summing up the Agrarian Crisis

- The tragedy of farmers' suicides on a massive scale
- Significant slowing down of growth of output and yield of most major crops
- Unviability of crop agriculture and animal husbandry for a large majority of the peasantry
- Very slow expansion of employment

Summing up the Agrarian Crisis

- At the same time, the crisis is not uniform across space and time. The period 1997-2003 saw stagnation, while the period since has seen some revival of agricultural growth. However, even with some recovery in growth, the crisis remains severe in its impact on the majority of the agrarian population
- 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.

Ending Agrarian Distress

- *Reverse neoliberal policies*
- *Enhance state support to agriculture with focus on small and marginal farmers and agricultural labourers*
- *Raise levels of public investment in agriculture, irrigation and rural development*
- *Strengthen research and extension*

Ending Agrarian Distress

- *Ensure prompt procurement at remunerative prices*
- *Provide adequate credit at low rates of interest*
- *Renegotiate QRs in WTO, raise tariffs*
- *Universalize PDS and ensure food security*
- *Ensure provision of productive employment at decent wages*

Addressing the structural crisis

- Carry out comprehensive land reforms
- Ensure the break-up of land monopoly and eliminate landlordism
- Address the issues of social oppression of SCs, STs and women.