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**A Critique of the Agrarian Policies under**  
**Neoliberalism: Reasons for Agrarian**  
**Distress in the Current Indian Context**

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## **Abstract**

*The National Agricultural Policy of the Ministry of Agriculture, Government of India (2000), said: "Agriculture has become a relatively unrewarding profession due to a generally unfavourable price regime and low-value addition, causing abandoning of farming and increasing migration from rural areas. The situation is likely to be exacerbated further in the wake of integration of agricultural trade in the global system, unless immediate corrective measures are taken." Throughout the course of this essay, we examine the agrarian crisis in India in the neoliberal era i.e. the impact on land holdings, credit availability, pricing policy etc. We also discuss the impact of such policies on both farmers and agricultural labourers with some focus on female agricultural workforce to capture the gender dimension.*

**Keywords:** *neoliberalism, agriculture, feminization of agriculture, land reforms, farmer suicide, wage-gap.*

## **1.0 Introduction**

India achieved great feats in food security with the Green revolution, which witnessed an overall increase in agricultural productivity. On June 29, 2020, the FCI held 816.60 lakh tonnes of food grains as buffer stock to meet requirements under food law and welfare schemes. However, despite the commendable increase in food grain production, chronic distress plagues the agricultural sector which employs close to 50% of the Indian workforce. The ongoing farmers' agitation shed light on major policy issues which have proved to be ineffective in lifting the farmers out of poverty. As a result of the seasonal nature of rural employment, most of the male workers in rural areas migrate to urban areas for job opportunities in the informal sector. They often leave behind the women who end up performing the dual responsibilities of domestic work along with agricultural labour in the fields. The gendered impact of women engaged in agriculture are doubly burdensome. Section 1 of this essay deals with the causes of agrarian distress over the last few decades which has culminated into the current farmer's agitation while section 2 discusses the issues surrounding women in agriculture.

### 1.1 Imperialism in the countryside

Byre's **transition to capitalism and economic development** spoke explicitly to the Lewis Model (Byres, 1995) and to the Indian political planning debate, which argued that annual agricultural growth rates of 5 per cent were a necessity for the creation of surplus that could be siphoned off and invested in industrial development. Byre viewed redistributive land reforms as historically seminal in transitioning from an agrarian to a capitalist economy, where the condition of the peasants was materially better off. However, Byre's position on the agrarian change faces challenges posed by the globalized neoliberal era. On issues of the agrarian question, Prof. Utsa Patnaik argued that developmental path of the most rapidly developing region of India in the 1970s, Punjab, was dominated by 'landlord capitalism' (Patnaik, 1972). This implied that the landlords would only invest in agriculture if the returns from investing exceeded rent from leasing land or investing out of agriculture. This resulted in a '**built-in depressor**' for economic growth. Additionally, pre-capitalist, caste-based and **non-economic oppression kept the purchasing power of the peasantry low**, making it difficult for the economy to deliver the kind of growth required to pull the masses out of poverty (Patnaik, 1986).

Genuine land reforms alter production relations in the agrarian economy, expanding the size of the domestic market, establishing a broad-based investment base. However, counter-reforms such as land ceiling laws and absentee landlordism have been legitimised through legislation that defeat the original intention of land redistribution. The table below shows data from the National Sample Survey (NSS) on land ownership holdings and operational holdings. Through a careful reading of the National Sample Survey Office (NSSO) data, Rawal shows that inequality in land ownership increased from 1992 to 2003–4: the Gini coefficient of ownership of land increased from 0.73 to 0.76 (Rawal, 2008)<sup>1</sup>

#### Gini coefficients for the distribution of operational and ownership holdings of land, India,

##### 1960-61 to 2003-04

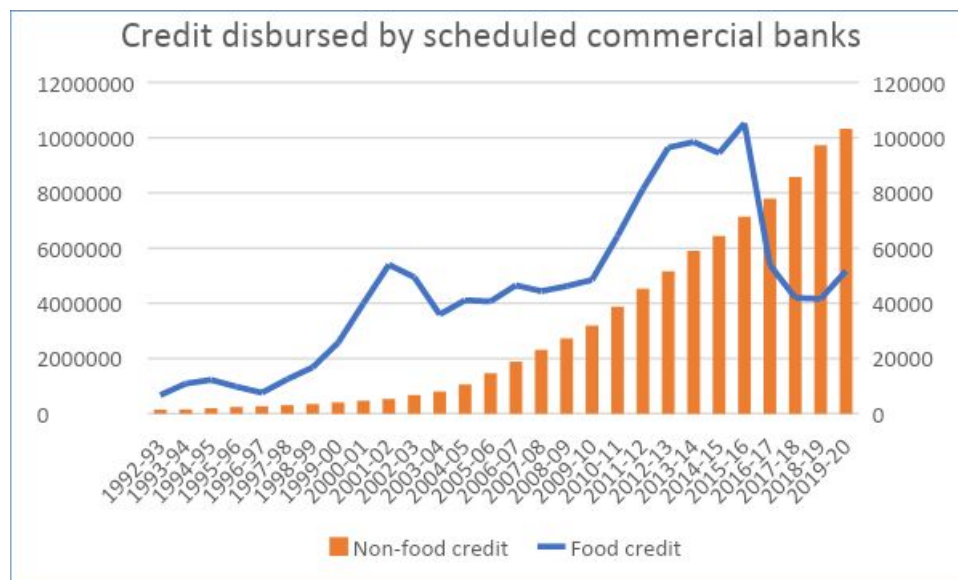
Type of holding	1960-61	1970-71	1980-81	1990-91	2003-04
Operational holdings	0.58	0.59	0.63	0.64	0.62
Ownership holdings	0.73	0.71	0.71	0.71	0.74

<sup>1</sup> This calculation excludes homestead land (Rawal 2008). It also does not consider false reporting of large landowners who wish to hide the fact that they are over and above state land ceilings

Source: Rawal and Ramachandran (2010), “The Impact of Liberalization and Globalization on India’s Agrarian Economy”.

## 1.2 Credit and agrarian distress

Caste and gender exploitation play a dominant role in usurious money lending by merchant capital. Most areas are dominated by ‘a powerful nexus of landlords–rich-peasants–contractors–big traders who constitute the rural rich’ and who most often, it seems, invest their ill-gotten gains elsewhere than productively, in agriculture (Patnaik, 1986). **Financial liberalization caused a reversal in developmental banking.** The credit market in the rural areas has been dominated by the informal sector. The penetration of formal credit in the rural sector has been limited and fragmented in terms of caste, regional and gender divide. The informal source of credit has been usurious and resulted in economic and extra-economic coercion of the peasantry. The graph below shows the trends in food and non-food credit disbursed by scheduled commercial banks. While the non-food credit has been rising over the years in absolute terms, food credit has followed an unstable pattern.



Source: RBI Handbook of statistics, 2020

Most of the farmers lack access to cheap institutional credit, hindering their capacity to invest in new technology. “Accidental Deaths and Suicides in India 2015”, a report by the National Crime Records Bureau (NCRB), placed the number of agricultural suicides in India at 12,602.

The major reasons for the suicide were crop failure and indebtedness, which increased by 2 per cent from the year 2014. Similarly, a report from a team of researchers in TISS concluded that 644 farmers committed suicides between March 2001 and December 2004 in Maharashtra. (Pillai, 2007, p. 7) The cotton belt of Vidarbha was particularly affected. The main reason for increasing farmer suicide as concluded by the report was the general crisis in credit, affecting the small and medium farmers. According to the report, **“The resultant debt trap is due to the inadequate credit supply to the cultivators at an affordable price and due to the rising costs of production that cannot be met”**. It also said, “Not a single support price for the last 10 years has met the cost of cultivation, except sugarcane for 2 years...all the crops are being cultivated at a loss to the cultivators. The loss varies from 38% at the minimum to 50% at the maximum. The exception is sugarcane where the loss is minimized at 12%”. On top of it all, the attitude of the government was described to be apathetic, with no compensation given to 80% of the victims. This was the nature of agrarian distress in Maharashtra.

### **1.3 Farm incomes and agricultural wages**

There have been numerous studies on farmer's suicides in parts of Tamil Nadu (Harriss White 2008, 2010), Odisha (Mishra, 2008) and Andhra Pradesh (Ramachandran et al., 2010). A good crop alone is not enough, farmers need to fetch a decent price for their produce in the markets. A combination of low yields and high prices are difficult to realise in the neoliberal policy regime. Additionally, when the government procures large quantities of food stock from the farmers, traders will realise there is excess stock in the market and postpone procuring from the farmers. They expect the stock to be released on a future date, causing a price glut. Once the stock reaches the open market, prices fall and traders buy the food grain at lower prices. Even when the procurement system is functioning properly and procurement prices are above the price offered by traders, the system only caters to the farmers who are not debt-tied to traders. The procurement system essentially ends up benefiting the well to do farmers, particularly in the Green revolution states (Deshpande, 2008).

The NSSO 2002-03 data showed that the average marginal and small farmer household had negative income and often survived on credit (Lerche, 2013). Poverty increased with smaller size of landholding and also relative to low caste and religious minority status (NCEUS 2008, 12-13).

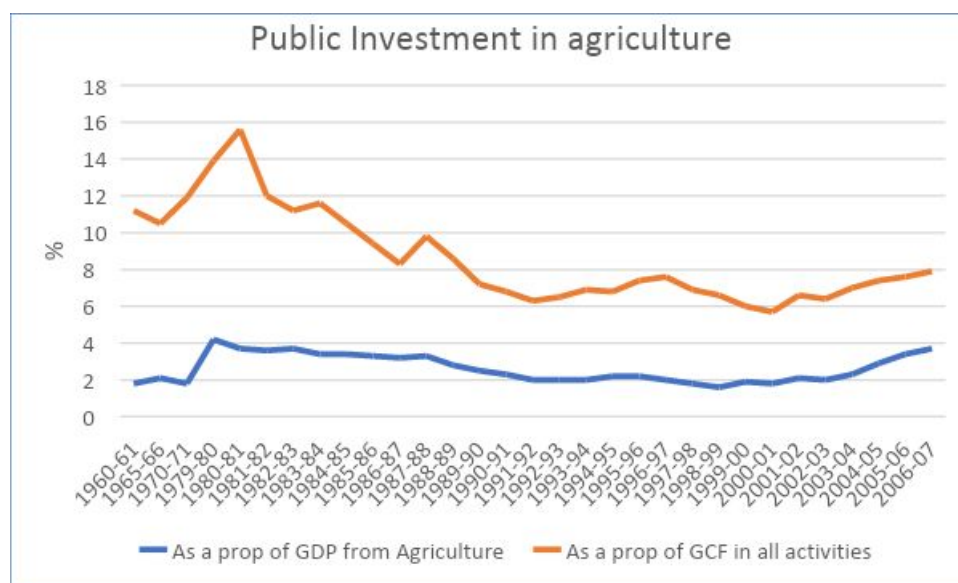
The capitalist farming in agriculture was clearly not beneficial for all farmers. The 'labouring class' continued to face marginalization within agriculture and were always looking for employment within and outside of agriculture. This has resulted in the **casualization of agriculture labourers** with arbitrary wage rates depending on caste, gender and concerned social relations. In addition, **40% of all rural households are landless, now owning any land other than their homestead (Rawal, 2008)**. Landless labourers become delinked from agricultural development regarding employment. Agricultural employment in the period 2004-05 to 2009-10 fell while it rose in the construction and services sector. However, being net buyers of food grains, their well-being is inversely related to price developments in agriculture.

According to a study, using wage data for 1995-96 to 2016-17. agricultural wages were low in many states including Andhra Pradesh, West Bengal, Assam, Bihar, Gujarat, Odisha, Tamil Nadu. **The male-female wage gap has grown over the years** (Kumar, 2020). The determinants of 'non-farm' wages such as the Mahatma Gandhi Employment Guarantee Act (MGNREGA) played a major role in setting agricultural wages (Kumar et al., 2020). Farm wages in India are lower than non-farm wages and farmers find it difficult to pay for the rising wage cost which involves 40% of production expenses. This poses difficulty for retention of the rural youth in agriculture which might have implications for the agricultural labour force.

Most of the small peasants are subsistence farmers and net buyers of food grains. They sell wholesale, buy retail and face the unfavourable terms of trade against them, making them vulnerable to rising commodity prices. Inflation rates as high as 18-19% (2009) is a cause of concern for the small subsistence farmers. This inflation was caused by a plethora of factors such as poor monsoons in 2009, an increase in international prices, diversion of food grains to biofuels being some of them. At the same time, deregulation of input prices makes the small farmers victims of usurious lending, keeping them under a perpetual debt trap. The cost of cultivation rose particularly during the 1990s and early 2000s (Rawal and Ramachandran, 2013).

### 1.4 Public investment in agriculture

Fiscal contraction has been at the core of neoliberal; policy. The graph below shows the trends in public investment in agriculture and allied activities. The decline in public investment in agriculture started in the 1980s and accelerated further in the 1990s. By the end of the 1990s, public investment in agriculture and allied activities was only about 1.6 per cent of agricultural GDP and about 6.6 per cent of total gross capital formation in the public sector (ibid)



Source: Rawal and Ramachandran (2010), “The Impact of Liberalization and Globalization on India’s Agrarian Economy”.

Public investments in irrigation, research, extension and other infrastructure went down from 3.4% of agricultural GDP in the early 1980s to 1.9% in 2001-03. **Even though private investment initially increased, it later slowed down due to the operation of complementarities between public and private investments.** The decline in public investment in agriculture, the fall in agricultural growth and the decline in agricultural extension services have caused a depressor effect on rural employment. Most of the post-liberalisation policies have also caused farmers to leave their land fallow. There have been documented cases of such shutdown in the boro season in West Bengal in 2002 <sup>2</sup> in Rayalaseema in Andhra Pradesh in 2005-06 and large tracts of land left fallow even in the Gang canal region of North-West Rajasthan in 2007.

<sup>2</sup> See Rawal, Swaminathan and Ramachandran 2002

### **1.5 The issue of Land**

Small Peasantry is displaced in the absence of collateral (land titles) and becomes informally employed in other sectors. According to a 2013 report published in *The Hindu*, between 2001 and 2011, a total of 7.7 million farmers left agriculture. Twenty lakh hectares of cultivable land is understood to have been acquired for non-agricultural purposes. Dispossession of the peasantry takes place due to the dominance of the agri-space by big corporations, supported by the WTO. **Corporatization of agriculture and the dominance of transnational capital over peasant production, according to Patnaik, has caused sub-human levels of living for the small peasantry.** The corporates make profits to the tune of hundreds of times of the rate at which land is acquired from the farmers. State interference in this process also counts as subsidy to the corporates. The problem becomes acute when good cropland is diverted for port construction so that foreign companies can export minerals (Korean POSCO case, 2008) and tends to threaten both farmer's livelihood and food security. The indiscriminate acquisition of cropland can have implications for agricultural production. The total cropped area in the country by the 1990s had become stagnant. (Patnaik, 2011) The diversion of the area into non-agricultural uses enhances the supply problem. This longer run neglect of output forms the basis of current food-price inflation despite demand depression, brought about by cuts in public spending.

In a documented study on a visit to Andhra Pradesh, when asked why the farmers did not stop growing cotton despite inadequate returns, they said, **“We know that. But we are already neck-deep in debt. How can we repay the debt if we grow light crops, which may be sufficient to feed ourselves but do not give us anything to repay the loans we have already incurred. We have reached a stage where we have to keep afloat or sink with this white gold (a euphemism for cotton)”** (Suri, 2006). It has been pointed out that the present cropping pattern is unviable and the farmers need to shift to high-value export crops that are remunerative to cover cost at least.

### **1.6 Agricultural pricing policy**

Agricultural pricing policy has come under serious attack by the neoliberals due to the recommendation of higher support prices and supposed market distortion (Dev and Rao, 2010). Agricultural spending cutbacks caused the cost of production to rise substantially due to which the MSP had to increase (to maintain a 20% margin above cost).



The research paper by Dev and Rao explains **how during the 1980s even when the MSP for rice and wheat was declining, farming was still remunerative as the costs also fell substantially during this period.** The cost of production of both wheat and rice fell as productivity improved at more than 2.5% per annum, outstripping the increase in cost of cultivation. In the 1990s, while the cost of cultivation only rose at the rate of 1.5%, MSP of wheat and rice increased to retain farmers into agriculture. **Therefore, contrary to popular belief, rising MSP does not address agrarian distress as it is only used to compensate for the falling yield in agriculture as well as falling public investments.**

Operation of market forces in an open liberalised regime also encourages higher support prices and sends incorrect policy signals. For example, even with low production, the domestic prices can remain low due to cheap imports of food grains from the international market. Similarly, when international prices are rising due to commodity supply shock, the domestic price skyrockets and procurement at higher levels of MSP become unsustainable (as happened in 1997, 2007-08). Even after international shock recedes, political democracy builds pressure on the government to sustain the high levels of MSP. This unidirectional movement in prices results in skewed cropping patterns as period after period, farmers are incentivised to grow rice and wheat. Therefore, non-price intervention such as higher public investments and protection from volatility in the international market are keys to improving the conditions of farmers.

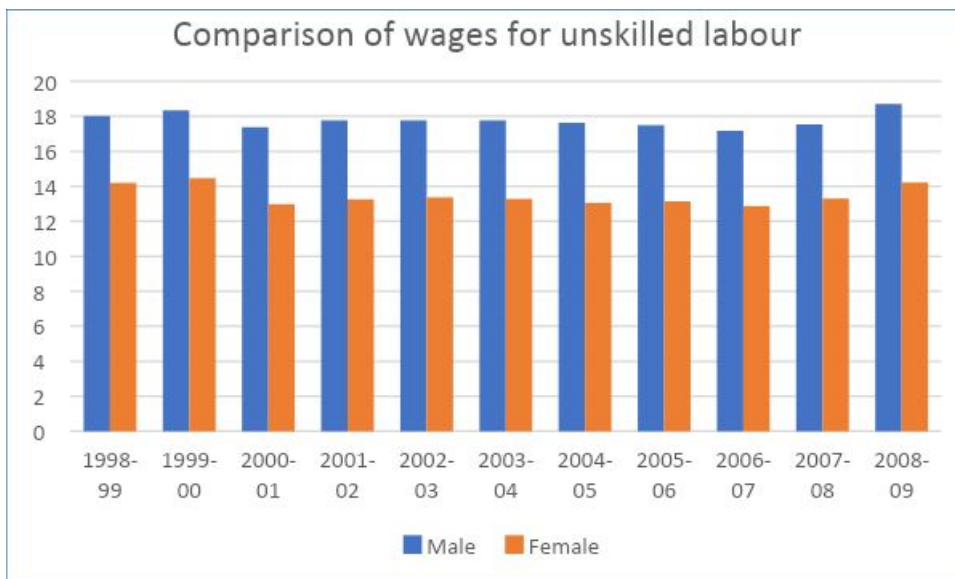
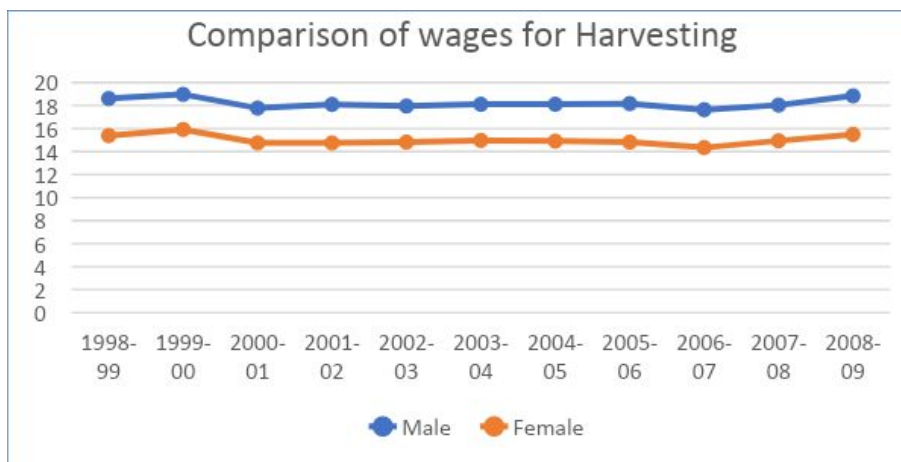
## **2.0 Women in Agriculture**

There is a larger exclusion of women agricultural labourers from the narrative of agricultural reforms in India. The NCRB defines a farmer as one whose profession is farming and includes those who cultivate their own land/leased land/other's land with or without the assistance of agricultural labourers. Women generally do not own land titles and are involved mostly in agricultural labour. **According to Census 2011, nearly 98 million Indian women have agricultural jobs, but around 63 per cent of them are agricultural labourers, depending on the farms of others.** Definitional ambiguities prevent them from being regarded as farmers. Oxfam 2013 released a fact sheet in 2013 which reported that while women do 80 per cent of farm work, they own only 13 per cent of land. This is despite the country having undertaken agricultural reforms since the 1950s.

There was a sharp decline in female workforce participation rate from 41 per cent in 1999-2000 to 32 per cent in 2011-12. **This decline was sharper in rural areas (from 48 per cent in 1999-2000 to 37 per cent in 2011-12), and can be primarily attributed to massive contraction of employment opportunities in agriculture, which was not compensated by rising employment opportunities in rural non-farm sector** (Rawal and Saha 2015).

The proportion of landholding households in agriculture has declined (from about 41 per cent in 1999-2000 to about 49 per cent in 2011-12). Since most women are self-employed in agriculture, this has resulted in a fall in the female labour force participation in agriculture. With increasing **mechanisation, many labour displacing technologies** have occupied the agricultural space. Consolidation of holding makes the process of labour displacement swift. Given issues of safety and lack of security of women, women employment in non-agricultural urban employment has not taken off either.

Migration results in feminization of agriculture and reverse migration causes defeminization. Women become self-employed in agriculture once the male earning member of the family migrates to the urban areas in search of better wage opportunities. Feminisation of agriculture is in spirit, **feminisation of agrarian distress**. Absence of land rights not just keeps landless women and female agricultural labourers on the fringes, it also denies them credit, insurance, irrigation and other entitlements of agriculture-related schemes, in the absence of land security. This phenomenon of “de feminisation” (i.e. excluding women from their entitlements in agriculture) coexists with feminisation of agriculture. The graphs below show the trends in annual all-India wages for male and female for 3 agricultural activities-harvesting, transplanting and unskilled work. Wages for women are unambiguously lower than that of men; however, the rate of growth of wages for women is higher than that of men.



Source: Yoshifumi, U (2011): "A Note on Recent Trends in Wage Rates in Rural India,"

### **3.0 Conclusion**

Throughout the course of the paper, we looked into the nature and causes of agrarian distress in the neoliberal era. Policy recommendations to balance food security concerns with rising farm income include a fall and input prices (to make agriculture remunerative) and adoption of new technology (to increase yields). It is usually the case that a decline in the terms of trade within a particular sector means low-income realisation in that sector. However, a decline in terms of trade in agriculture does not necessarily mean lower farming incomes in a dynamic framework, i.e. new technologies propel agricultural growth, increasing farm incomes despite unfavourable terms of trade.<sup>3</sup> In his book, “Democracy, Development and the Countryside”, Varshney mentions the period 1975-76 to 1983-84 as a period in agriculture characterised by spread of technological intervention to newer areas and newer crops with adverse terms of trade. However, investments in this period continued to go up despite a shift in terms of trade against agriculture (Varshney, 1998). In the current debate on agricultural reforms, the role of Research and development (R&D) in supporting the farming systems is missing. If the farmers in Punjab and Haryana had the option of growing alternate crops (other than wheat and rice) that were also remunerative, there would not have been such deep resentment against the current agricultural ‘reforms’. Given how less India spends on R&D,<sup>4</sup> it is important to increase public expenditure on new technological innovation which can ensure low-input high-out agricultural production for India. This will reduce input cost and arrest the issue of declining profitability of agriculture in the neoliberal era.

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<sup>3</sup> Terms of trade may alter for purely economic reasons. New technology can reduce unit cost of production and increase output. A decline in agricultural prices may reduce the rate of return per unit output but higher yields may result in higher returns. (Raj Krishna provided a mathematical proof of this). Refer Varshney, 1998

<sup>4</sup> public spending on agricultural extension has particularly been falling in the post-liberalisation era. <https://www.networkideas.org/ideasact/jan09/PDF/Ramakumar.pdf>

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