

Agriculture: A Curse for Small and Marginal Farmers

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ARTICLE DETAILS

Article History

Published Online: 20February 2019

Keywords

Economy, Agriculture, Backbone

ABSTRACT

As it is well known that agriculture is the backbone of Indian Economy as majority of India's population lives in rural areas and they earn their livelihood from agriculture. But agriculture has not benefitted small and marginal farmers. They are still in debt trap from ancestral period and their plight is miserable. All the fruits of green revolution have moved in the hands of big farmers only. Even the Punjab State has witnessed the same scenario though it has experienced maximum growth in the field of agriculture. These small and marginal farmers have to depend upon non institutional sources of credit which charged from them a very high rate of interest. Once they are caught in a debt trap, it remains in the future generations as well.

1. Introduction

Marginal Farmer refers to farmer cultivating agricultural land up to 1 hectare as owner or as a tenant while Small Farmer refers to a farmer cultivating agricultural land of more than 1 hectare. Small and marginal farmers, whose land holdings are below 2 hectares, constitute almost 80% of all Indian farmers, and more than 90% of them are dependent on rain for their crops. In terms of operational holdings, which include land owned, the land taken on lease, the land taken on mortgage and any other land cultivated by fair or unfair means, 1.6% of farmers are in the large farmer category, with average holding of 45 acres and they control 17% of the total land.

2. Scenario of agriculture in Punjab

In Punjab, the granary of India, the figure is 6% of the operational holdings are in the large farmers' category operating 27% of the total agricultural land, and the average size of such holdings is about 40 acres. On the front of ownership holdings the scenario is still worse. About 70% of the ownership holding in Punjab are less than 2 hectares as compared to similar share of 80% on All-India basis. Such small and marginal ownership get added every year due to distribution and division of land by inheritance, family partitions and other modes of transfer of rights. This disparity between ownership holding and operational holding indicates that better-off farmers acquire land from small farmers under lease. With Green Revolution Technology, their costs of cultivation and risks of crop failure are so high that often the farmers cannot recover even the money spent. Between 1990-91 and 1995-96, chemical fertilizer costs increased by 113%, and pesticides by 90%, whereas the wholesale price of wheat went up only by 58%. Minimum Support Prices for all crops, except sugar, were 38% to 50% lower than the actual cost of production. Per capita food grain production has fallen to levels lower than the 1939-44 famine. Despite thousands of crores spent on fertilizer and other subsidies, farmers are increasingly in debt and despair. Small and marginal Punjabi farmers, the rural majority, are the most indebted, unable to stay afloat amid liberalizing economic reforms geared toward their larger counterparts and toward transnational agribusiness.

The Punjab government's own 2004 Human Development Report cites that the number of total cultivators in Punjab—farmers working on their own land—decreased hand in hand with an increase in the number of agricultural labourers—landless, bonded workers between 1970-71 and 1995-96. Most of these labourers are “deeply indebted to landowners and moneylenders.” For example, agricultural labourers in Punjab's Malwa region, the state's “prime agricultural belt,” work for only seventy to one hundred-sixty days a year because they can often only find employment during the harvests. They therefore rely on high interest loans which amount to thirty percent—from their land-owning employers to sustain themselves throughout the rest of the year. Once these loans begin to stack up, un-payable and unsustainable, labourers soon find themselves enmeshed in an inescapable “debt trap.” Yet even today, a significant number of cultivators still do work on small and marginal pieces of land in Punjab; nearly 400,000 holdings of two hectares or less were recorded in a 1996 state agricultural census. Despite such large numbers of small holdings, today's agricultural economy is so heavily weighted toward large producers that these small farmers have almost no ability to secure credit through conventional banks, leaving unofficial commission agents to step in and take their place. The high interest rates that these agents charge combined with the low annual income of the small farmer have created another “debt trap” just as vicious as that of the labourer. According to one recent study, seventy percent of all such small farmers in Punjab were unable to pay back even short term loans, leaving them with an interest debt of nearly 1900 rupees per acre. Once caught in this trap, there is almost no alternative for the small farmer but to sell or mortgage his land, an “extreme” step taken by about fourteen percent of small farmers as well as a few entire villages. The example of Punjab is evident of the failure of Market economics which promised that loss of employment in one sector of the economy like agriculture, leads to increased employment in other sectors, such as in industry or service. In Punjab, the shift towards larger and larger farms in Punjab has meant “dual processes of pauperization and proletarianisation” over its small and marginal farmers, not new economic opportunities elsewhere.

3. Major problems involved in Indian agriculture

1. Instability:

Agriculture in India largely depends on monsoon. As a result, production of food-grains fluctuates year after year. A year of abundant output of cereals is often followed by a year of acute shortage. This leads to price, income and employment fluctuations. However, for the thirteen year, in successive (1987-88 to 1999-00) a normal monsoon has been observed.

2. Cropping Pattern:

The crops that are grown in India are divided into two broad categories: food crops and non-food crops. While the former comprises of food grains, sugarcane and other beverages, the latter includes different kinds of fibres and oilseeds. In recent years there has occurred fall in agricultural production mainly due to fall in the output of nonfood articles. Moreover rabi production has become as important as kharif production in the late 1990s. In 1999-2000, for example, of the total grain production of 209 mntonnes, rabi accounted for 104 mntonnes. This indicates a structural change in agricultural production.

3. Land Ownership:

Although the ownership of agricultural land in India is fairly widely distributed, there is some degree of concentration of landholding. Inequality in land distribution is also due to the fact that there are frequent changes in land ownership in India. It is believed that large parcels of land in India are owned by a relatively small section of the rich farmers, landlords and money-lenders, while the vast majority of farmers own very little amount of land, or no land at all. Moreover, most holdings are small and uneconomic. So the advantages of large-scale farming cannot be derived and cost per unit with 'uneconomic' holdings is high, output per hectare is low. As a result peasants cannot generate sufficient marketable surplus. So, they are not only poor but are often in debt.

4. Sub-Division and Fragmentation of Holding:

Due to the growth of population and break-down of the joint family system, there has occurred continuous sub-division of agricultural land into smaller plots. At times small farmers are forced to sell a portion of their land to repay their debt. This creates further sub-division of land. Sub-division leads to fragmentation of holdings. When the size of holdings become smaller and smaller, cultivation becomes uneconomic. As a result, a major portion of land is not brought under the plough. Such Sub-Division and fragmentation make the efficient use of land virtually impossible and add to the difficulties of increasing capital equipment on the farm. All these factors account for the low productivity of Indian agriculture.

5. Land Tenure:

The land tenure system of India is also far from perfect. In there-independence period, most tenants suffered from insecurity of tenancy. They could be evicted any time. However, various steps have been taken after independence to provide security of tenancy.

6. Conditions of Agriculture:

The conditions of most agricultural labourers in India are far from satisfactory. There is also the problem of Surplus labourer disguised unemployment. Thus they get wages below the subsistence level.

7. Other Problems:

There are various other problems involved in Indian agriculture.

- i. The systems and techniques of farming,
- ii. The marketing of agricultural products and
- iii. The indebtedness of the farmers.

i. The systems and techniques of Farming:

a) Neglect of crop rotation:

Select conduct of agricultural operation depends upon a proper rotation of crops. If cereals are grown on a plot of land its fertility is reduced to some extent. This can be restored if other crops such as pulses are grown on the same plot on a rotational basis. Most farmer in India are illiterate and do not understand this important point. Since they are not aware of the need for crop rotation, they use the same type of crop and, consequently, the land loses its fertility considerably.

b) Inadequate use of manures and fertilizers:

Inadequate use of manures like cow-dung or vegetable residue and chemical fertilizers makes Indian agriculture much less productive than Japanese agriculture.

c) The use of poor-quality seeds:

In India, not much use has been made of improved varieties of seeds. The main cereals (rice millets and pulses) are still grown chiefly with unimproved seeds.

d) Inadequate water supply:

Farmers also suffer due to lack of irrigation facilities. Moreover, ordinary varieties of seed can be replaced by better varieties if there is an assured supply of water. The need for the construction of minor irrigation works of a local nature is both urgent and pressing. In fact, the total water potential in the country is more than adequate to irrigate whole areas under cultivation. However, the present problem is one of discovering cheap and easy methods of utilizing these vast supplies of water.

e) Inadequate use of efficient farm equipment:

The method of cultivation in most areas of India is still primitive. Most farmers continue to use native plough and other accessories. However, the problem is not one of shortage of modern machinery. The real problem is that the units of cultivation are too small to permit the use of such machinery.

ii. Agricultural Marketing:

One of the major causes of low income of the Indian farmers is the difficulty in marketing their crops. Due to the small size and scattered nature of agricultural holdings, the productivity per acre is low. Consequently, the collection of these surpluses for the purpose of marketing presents a serious problem. Agricultural marketing problems arose due to the lack of communications, i.e., connecting the producing

centres with the urban areas which are the main centres consumption. The difficulty of communication prevents the farmer from marketing his own produce. So he has to rely on a number of middlemen (intermediaries) for the disposal of "his crops at cheap prices.

iii. Agricultural Credit:

The typical farmer is almost always in debt. The farmer is a perennial debtor. Once the farmer falls, into debt due to crop failure or low prices of crops or malpractices of moneylenders he can never come out of it. In fact, a large part of the liabilities of farmers is 'ancestral debt'. Thus, along with his landed property, he passes on his debt to his successors.

There are four main causes of rural indebtedness

- a) Low earning power of the borrower
- b) Use of loan for unproductive purposes.
- c) The excessively high rate of interest charged by the moneylenders
- d) The manipulation of accounts by the lenders.
- e) Agricultural prices:

In order to increase food production, it is necessary to ensure that prices of food grains be set by the Government from time to time to give sufficient incentive to farmers so that they can earn reasonable incomes. In India, bumper crop led to fall in revenue of farmers.

4. Need for price stabilisation

In view of the rising and fluctuating trends in agricultural prices, there is a need for stabilization of prices of agricultural commodities. Price fluctuation in any direction may spell disaster since both rising and falling prices have had harmful consequences. The Agricultural Cost and Price Commission takes up a number of aspects of price policy, such as minimum support prices (MSP), procurement prices (PP), issue prices of food grains (IPF). In recent years while the well-to-do farmers have benefitted from the hikes in support prices, small and marginal farmers, faced with difficulties in the matter of credit and obtaining the right type of inputs, have been in trouble. Paradoxically two years of an upswing in agriculture (1999-2000) have led to a sharp fall in prices and added to the distress of farmers in most parts of the country. At the same time, an unprecedented pile-up of procured food-grains held by State agencies totalling over 50 million tonnes has added to the burdens on the budget. Given the low off take in the public distribution system (PDS), accumulation of food-stocks is resulting in a large burden of food subsidy. The low off take in PDS is due to the fact that market prices are lower and supplies are plentiful. The government has also not been able to utilize any large volume of surplus stocks in Food-for-Work programs in drought areas. Indian farmers especially small and marginal are under great stress. It is being revealed from NSSO 70th round findings which estimated more than 50% of farm households in debts, farm holdings of 90% shrinking to less than 2 hectares. Most worryingly most findings have deteriorated even from previous MS Swaminathan report on national commission on farmers. Major

problems associated with vulnerability of marginal farmers include-1) flawed aspects of green revolution-

- (a) Regional disparity- targeted assistance to only selective regions of North West India, Coastal Andhra etc
- (b) Social disparity- institutional help for credit, borewells etc was availed by rich farmers only.

(c) Agricultural disparity- overemphasis on only selected crops and ruined traditional crops such as millet.

2) Failure of land reforms- petty politics and loopholes in land ceiling act never allowed proper land reforms excepting Kerala.

3) Very low penetration of institutional financial credit in rural areas, in fact priority sector lending has neither benefited farmers nor banks, higher chunk being appropriated by rich farmers, besides heavy corruption keeps needy at bay.

4) Market reform failure- role of middlemen not decreasing even after adoption of model APMC act making farmers much vulnerable.

5) Not proper diversification of agriculture-though adoption of rainbow revolution did envision overall development but in absence of market exposure, food processing infrastructure they have not impacted small farmers on large-scale.

6) Vagaries of monsoon- over 60% of Indian agriculture dependent on monsoon. Govt has attempted several approaches especially targeting marginal farmers such as

- 1) Financial schemes-
 - (A) Criteria of priority sector lending by banks
 - (b) subsidies on diesel, kerosene, drip irrigation, farm machinery etc
- 2) employment generation - such as IRDP, SGSY, MNREGA Act etc
- 3) institutional structure for agriculture development

(a) Funding for research via ICAR, state agriculture university.

(b) national plans such as -drought prone area development programme, Rashtriya Krishi Vikas Yojana, National mission on sustainable agriculture etc

(c) personalized help- soil testing, phone based technical guidance etc.

5. Conclusion

The dismal state of farmers depicts failure of schemes, major overhaul in agriculture sector is need of an hour, governments approach towards establishing a grand alliance between farmers, market and credit institutions is must not only for farmers but also food security and robust economy of country.

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