Agriculture in Crisis*

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Once again, the spectre of agrarian distress (which is unfortunately never far from the surface in much of India) is rearing its ugly head. Across the country, farmers – especially small cultivators – are facing severe problems, with already dire outcomes. There has been another spike in farmers' suicides in several states, and several other signs of acute hardship. There are reports that once again more people are migrating from the countryside on a short-term basis to seek work, to cope with collapsing livelihoods at home. And this is occurring even in places where such outcomes were not so common in the past few years and at a time of year (just before the rabi harvest) when they are less expected.

In Maharashtra, it is estimated that there has been a 40 per cent increase in farmers' suicides in the past seven months compared to the same period in the previous year. In West Bengal, the state government appears to be in denial mode, even though the number of farmers who have committed suicide this year in just the single district of Barddhaman amounts to 106. Reports from Rajasthan, Punjab and elsewhere also point to more suicides by those from the farming community.

Of course, it is shocking that it takes something as drastic and final as a suicide to generate public acknowledgement of severe economic distress. It is even more shocking that when such instances do increase, the tendency among officialdom is to downplay the trend by changing the classification of some of these deaths into suicides by "non-farmers" (if they do not have land titles for instance, or are women) or attributing them to "personal reasons" rather than severe economic adversity. Indeed, the central government has recently told the Supreme Court that number of suicide deaths of farmers has decreased since 2009 and that even for this number, there were factors other than agrarian and financial distress that led them to take their own lives. Such arguments suggest a cynically callous attitude to such farmers and their families, and also an attempt to deny the basic problems that farmers face and the extreme difficulties of their situation – whether or not they actually take the final drastic step of killing themselves.

It is worth noting that agriculturalists in different parts of India are feeling the pressure for quite different specific reasons. In much of northern and western India, unseasonal rains and hailstorms have battered the standing crops of pulses and vegetables, so that lower harvests are the primary source of concern here. The damage is likely to be extensive: it is estimated that nearly one-third of the acreage under rabi crops has been affected by these rains. In West Bengal, on the other hand, potato farmers are struggling because of too much output: as a result, post-harvest potato prices have collapsed and the appalling but continued lack of adequate storage facilities means that farmers are forced to simply let their crops go waste. In Maharashtra farmers are facing a double whammy: cotton and sugar prices are down even as bad weather has meant lower output. In southern India, agriculturalists are suffering the impact of the global decline in cash crop prices, accentuated by the adverse effects of the various trade agreements signed by the central government.

Yet despite the variations in the specifics, there are some underlying similarities. In all parts of rural India, farmers are facing what has been called a "scissors crisis" driven by rising costs of inputs without commensurate increases in output prices. This puts them on an uncertain trajectory where their reliance on (typically very expensive) debt to finance their operations tends to grow over time and any unexpected movement can have extreme consequences. An adverse weather change, for example, can lead to drastic decline in economic capacities such as the ability to recoup input costs, leave alone the ability to repay loans. So the greater underlying fragility of the process of cultivation makes farmers even more vulnerable to what would otherwise perhaps be not such major changes in weather patterns. And the inadequacy of institutional mechanisms to deal with the various risks associated with farming (such as crop insurance and functioning price stabilization schemes) means that cultivators are forced to deal with these almost entirely on their own.

The rising costs of inputs in turn reflect more than just input price changes – and indeed, the price of one of the most important elements of cost of cultivation, that of fuel, has actually been low or stable in the recent past because of low world oil prices (even though the global price declines have not been not fully transmitted to Indian consumers). Instead, rising input costs are part of a process of declining technological viability of cultivation. Soil quality has worsened due to excessive chemical use over long periods as well as erosion and water logging in some areas. Irrigation is both scarce and ever more expensive, as declining water tables make the use of groundwater the privilege of those who are rich enough to keep digging deeper and deeper to extract it. The emergence of new pests resistant to chemical pesticides and the uneven performance of Genetically Modified seeds that are supposed to reduce reliance on chemicals has complicated the possibilities of pest control and thereby affected crops. And so on.

Meanwhile, the difficulties farmer face in accessing credit at reasonable rates to finance agricultural production have actually become more intense in the recent past. Institutional credit to agriculture did increase under the UPA government, even though the increase was not as much as expected or as would be necessary, and small cultivators still found it difficult if not impossible to get loans. But recently things have got worse in this regard, despite all the grand talk of financial inclusion under the Jan Dhan scheme, as small farmers are once again forced to take recourse to local moneylenders and input dealers who charge exorbitant interest. And the rigidity of the institutional loan structure – as well as the public humiliation of defaulting borrowers by many commercial and co-operative banks – makes it even more difficult to deal with such loans even for those farmers who can access them.

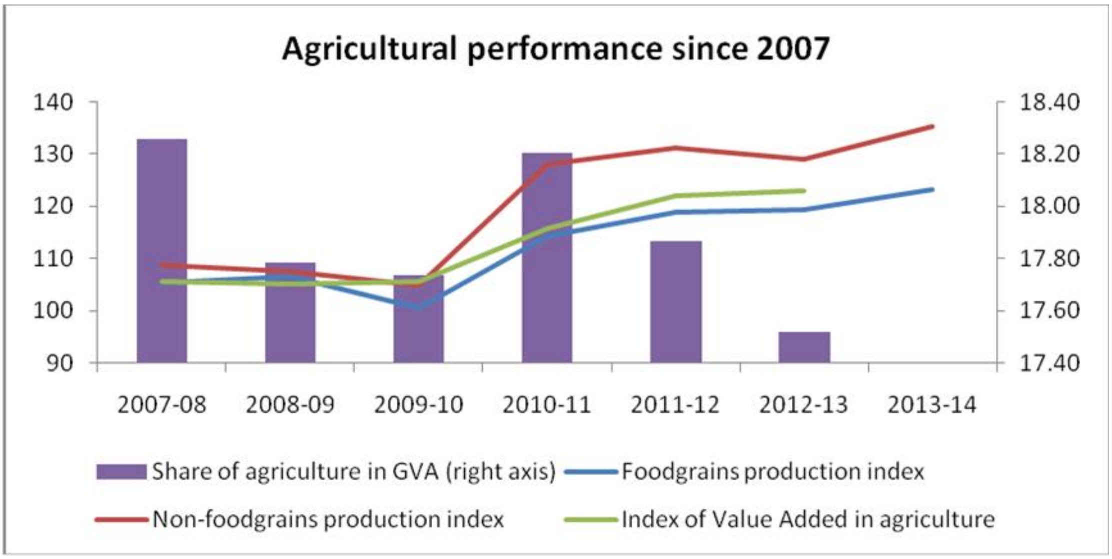
Meanwhile, the crisis in agriculture has been sharpened by the lack of productive non-agricultural activities including on-farm activities like livestock rearing and off-farm employment. The inadequate generation of properly remunerative employment in the economy, which has been a shameful feature of the recent growth process, has meant that farmers do not have the real choice of engaging in other work even as cultivation is less profitable. This has added to the insecurity that is created by the threat of involuntary displacement because of the requirements of so-called "development", and at least partly explains the tremendous animosity among farmers to the Modi government's Land Acquisition Bill.

All in all, suddenly the current conditions in rural areas are harking back to the conditions that prevailed in the early 2000s and especially in 2004, when the devastation of agriculture and rural livelihoods proved to be both economically painful and politically disastrous for the then-ruling NDA government. The similarities are both remarkable and perplexing: the NDA government then chose to believe in its own propaganda of "India Shining" and was punished at the polls for what seemed to be an almost insulting denial of reality. And today, as farmers reel under a combination of naturally caused problems and policy-driven adversities, the Modi government is apparently planning a major publicity campaign to persuade the people that the promised "achhe din" have already arrived for all Indians, including farmers!

During that period of what can only be considered as extremely depressed conditions in the rural economy, there was a growing recognition that this reflected not only structural conditions but also and especially the collapse of public institutions that affect farmers and farming. The Congress-led UPA government promised to revive agriculture, and several Commissions, including the National Commission on Farmers, provided detailed suggestions on how this could be done. It was evident that to put agriculture on a more viable and sustainable footing, some policy measures were urgently required in several interlinked areas. These included the need to correct spatial inequities in access to irrigation and work towards sustainable water management; to bring all cultivators into the ambit of institutional credit, including tenant farmers; to shift policies to focus on dryland farming through technology, extension, price and other incentives; to encourage cheaper and more sustainable input use, with greater public provision and regulation of private input supply and strong research and extension support; to protect farmers from high volatility in output prices; and to emphasise rural economic diversification, to more value-added activities and non-agricultural activities.

Of course not all of these were even sought to be implemented, and the same analysis of what needs to be done could be just as relevant today. But the UPA government was elected on promises of reversing the material decline in the countryside, and at least in its first five-year tenure it did undertake a number of measures that were designed to improve things at least partially. As it happens, most of the years of the UPA government turn out to have been "achhe" for farmers – or in any case, certainly better than the ravages of the early 2000s. Credit to agriculture was increased manifold; public investment directed to the rural areas also increased; agricultural research and extension services (critical to ensure farmers' access to current and relevant knowledge for production) were given significant boosts through more public spending and re-organization; and most of all, the MNREGA provided a secure base of income to the rural poor that helped to revive the rural economy through enhanced demand and entailed some activities that could improve agricultural supply through the public works that were put in place. At the same time, movements in world trade prices were also beneficial to farmers, and so terms of trade shifts also assisted the relative improvement in farm incomes.

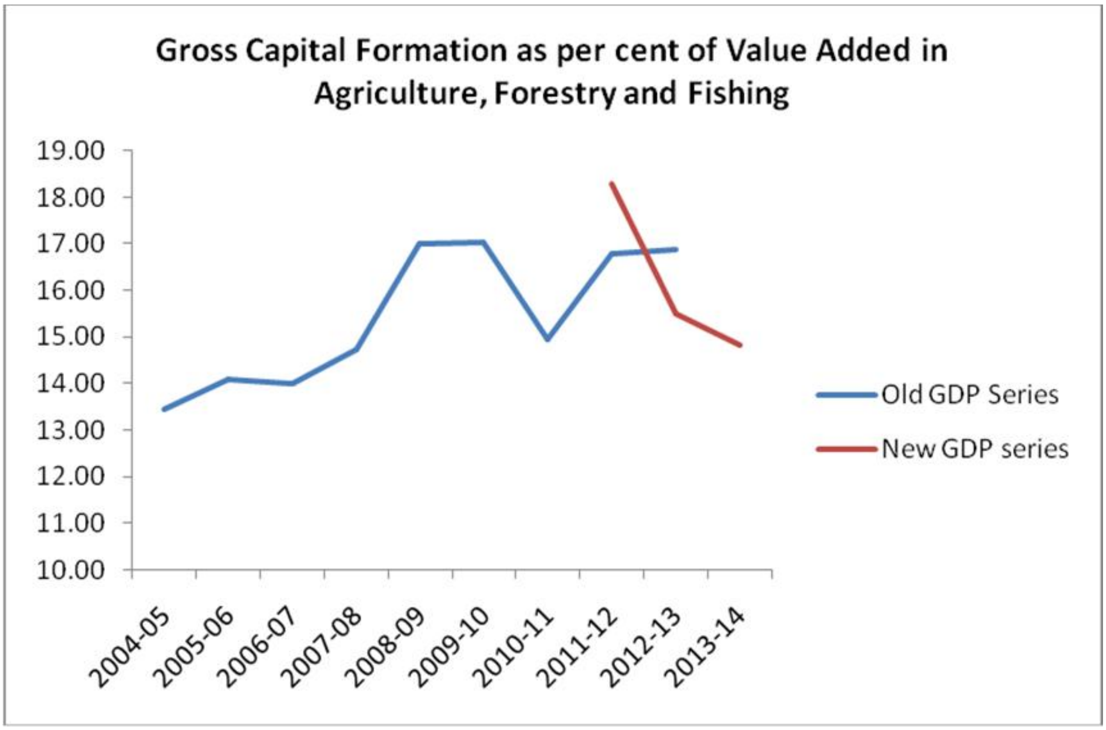
Chart 1



As Chart 1 shows, these measures did bear fruit by the end of the decade, with significant increases in the volume of production of both food grains and non-food crops. The value added in agriculture also improved substantially especially between 2009-10 and 2011-12, driven by both higher output and favourable relative price changes. In consequence, investment in agriculture also increased, both in real terms and as a share of agricultural income. But thereafter there was already some indication of a tapering off of both production and value added in agriculture.

Chart 2 shows how capital formation in agriculture increased substantially under the UPA-1 regime as well as the early years of UPA-2, driven in the later part of the decade by private investment that responded to higher crop prices and more opportunities for crop diversification as well as improved extension services. But Chart 2 also shows how the most recent period has witnessed a sharp fall in such capital investment in agriculture, according to the New Series of national accounts statistics that has just been released. The decline was especially sharp in the last two years of the UPA government. So in a sense some rot had set in terms of deceleration of agricultural performance by then. Indeed, for many small and marginal farmers, especially in dry land areas, even the “good years” of supposed agricultural boom did not really translate into better material conditions for them.

Chart 2



It was this gap that Narendra Modi the Prime Ministerial candidate played into during the course of the general election of 2014. In his campaign speeches, he promised to ensure that farmers would get a 50 per cent return on their input costs; that agricultural prices would be stabilised and kept on a higher trajectory for cultivators even as urban consumers would pay lower prices because of improved distribution; that rural people would all be able to access affordable and good quality health services; and many other things besides. After having their hopes raised sky-high by such promises, it is not surprising that farmers feel betrayed by this government. Even the Land Bill, unpopular as it is, is only one of many grievances that cultivators are now nursing against official policies, because of many acts of commission and omission that have led to dramatically deteriorating conditions of cultivation.

In the first year of the Modi government, the CSO's advance estimates of national income suggest that growth of value added in agriculture will be only 1 per cent, compared to 3.7 per cent in the previous year. But even this may well be an overestimate given the damage to the rabi crop because of freak weather conditions. Instead of higher crop prices, farmers had to face declining global trade prices of most cash crops and near-stagnant Minimum Support Prices of important food grains and sugarcane. In addition, the central government has now declared that it will procure crops only from farmers in deficit states, a peculiar strategy that will defeat the original purpose of moving grains from surplus to deficit areas and expose farmers in all other places to the vagaries of market price fluctuations and declines. It has told state governments that wish to top up the Minimum Support Price on offer to their own farmers that they would then have to foot the entire bill for such purchase, rather than only the difference between their own and the central price.

With falling oil prices, domestic oil and diesel prices should have come down sharply, thus benefiting farmers – but this has barely occurred because the benefits were mostly garnered by the government instead, which took advantage of the global price fall to raise its own excise duties and sales taxes. Fertiliser subsidies are planned to be cut, and the policy-created imbalance between use of nitrogenous and phosphatic fertilisers will worsen, with associated terrible effects on future soil quality and yield.

To add further injury to all this insult, the past year has experienced sweeping cuts in some essential items of the central government expenditure that impact directly on farmers. Public spending on agricultural development and on research and extension have already fallen in real terms and are set to decline even further in the coming year. The money for irrigation has been cut. Central government spending on health and other services that would reduce the financial burden on farmers is also being cut severely. The employment guarantee has been squeezed so much that it is no longer any kind of guarantee at all, and the programme will struggle simply to survive. Those who feel that this will not affect farmers because they employ workers rather than the other way around miss the point that around 40 per cent of cultivators to joined the programme as wage labour, to supplement their meagre and uncertain farm incomes. So reducing or killing this programme will also affect them very badly – and that too at a time when other sources of rural income are drying up.

This is the context in which the unseasonal rains and other weather changes have had such devastating impact on so many farmers. Even in this punishing context, government responses have been at best tardy and at worst downright offensive. The central government is effectively treating this as the responsibility of state governments – passing the buck on this critical area of public intervention to states that are already hugely financially stretched because of the reduction of so much other central social spending.

It is hard to understand why the Modi government is persisting with such blatantly anti-farmer policies. It is even harder to understand how it can presume that periodic radio broadcasts by the Prime Minister and optimistic media blitzes can somehow change public and farmer perceptions, when the experienced reality is so very different from both the promises and the claims made by this government.

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