



COUNTERING FARMERS' DISTRESS: AN ALTERNATE STRATEGY

R.VEER JYOTHI KUMAR

Lecturere in Economics, YPR College, Siddipeta, Telangana

ABSTRACT

Causes for farmers' distress are multi-dimensional and are ranging from deficiencies in institutional support relating to input supply, credit-access, market support system and to extension. Corporatising agriculture coupled with futures trading now under extension to all agricultural commodities, instead of reducing farmers' distress, are bringing in new problems and are abridging economic and political rights of dependent population. These together, in the policy milieu of globalization, are adversely affecting the social life of peasantry. This is at the root cause of the present farmers' distress and suicides. These policies, ultimately, are leading to physical liquidation and reduction of peasant population, specially of those who do not get alternative avenues of employment in non-farm sector and are under heavy debts. In the process of finding new equilibrium, the death and suicides of some farmers seem to be an inevitable consequence of the policies rather than an accident or out of emotional outburst.

The new government in Telangana State led by K. Chandrashekar Rao, Chief Minister of TRS, has taken several measures, like waiver of electricity dues, supply of free power, moratorium on collection of private debts for six months, and assistance to the members of deceased farmers' family. Besides these, a concerted publicity campaign was also launched by the government assuring assistance and support to the farmers under distress. In spite of these measures, the suicides have only increased instead of reducing, causing anxiety among all the concerned with peasants, farming and public policy. This trend is indicating that the steps already taken by the new government, though in right direction, are inadequate to meet the complexity of the situation. All these are necessitating to consider, what in addition, is required to be done to counter farmers' distress. Therefore, an alternative strategy framework has been proposed to counter farmers' distress.

The basic premise of the alternative strategy is that in a corporate dominant policy milieu, the producers i.e. farmers in the context of agriculture sector, have more leverage as a 'consumer' rather than as 'producer'. The suggested alternative strategy envisages the peasant to act as 'consumer' of technology and various other inputs rather than as producer to meet market needs for agricultural commodities. Priority is to be given, as per the strategy, for choosing production plan such that maximum livelihood security is ensured to the dependent population. The alternative strategy ultimately results in sustainable consumption / production practices and optimisation of local resource use. The new strategy needs reorienting the present public policies to create an enabling environment with the core objective of 'ensuring livelihood security' to the dependent population. It also needs policy orientation to meet educational and health requirements of the dependent population.



Introduction

LPG policies (liberalisation, privatisation and globalisation policies) have landed Indian agriculture in deep crisis¹. This crisis is not reflected at present in the shortage of any agricultural commodity for the consumers as any amount of commodity in shortage can be imported from any where else in the world as long as foreign exchange is available. The crisis is now being reflected at the level of individual peasants through heavy indebtedness and loss of income. Farmers are unable to earn sufficient income to maintain themselves. While the prices of all inputs were raising due to gradual withdrawal of various subsidies being given to agriculture, their prices were either decreasing or stagnant or were raising at low level as compared to increase in input prices under the influence of global market. Increased cost of living due to changes in the other sectors of the economy also have to be kept in mind while understanding the severity of impact of crisis on the peasants. The terms of trade computed by CACP² are not reflecting the ground reality of deteriorating living conditions of agriculture dependent population. Frequent natural calamities like droughts and floods are only casting huge burden on the farmers with negligible assistance from crop insurance. The condition of farmers in Andhra Pradesh has been worst effected by the new policies³ as the state is in the forefront in implementing these policies. The spate of farmers' suicides, started in 1997, is continuing unabated, and has picked up momentum in 2004 despite several relief measures being taken by the new administration, that assumed power in 2004 elections. The reform period is also the period of intense class struggle by the peasantry. This also got reflected in the elections of 2004 with change of parties in power both at the Centre and in several states including Andhra Pradesh, where the reform policies have been implemented unmindful of their consequences. This is forcing the concerned to think about alternative strategies to counter farmers' distress with the purpose of ensuring livelihood security to the dependent population.

Causes for farmers' distress

Causes for on going farmers' distress have been well documented⁴. A detailed data based study has been made under the Chairmanship of Justice Choudhary (2002). It has been found that policy changes are mainly responsible for the distress of farmers in Andhra Pradesh. Causes for the farmers' distress were observed to be multidimensional. In the words of Dr Swaminathan⁵, Chairman of National Commission of Farmers, deficiencies in institutional factors – those relating to credit, insurance, supply of inputs such as seeds, fertilisers, and pesticides, and marketing, have become serious. Social factors such as non-empowerment of elected local bodies, exploitative attitude of moneylenders and merchants, and gender discrimination are aggravating the deprivation of small and marginal farmers and landless agricultural labour. Missing of centrality of basic livelihood security concerns of the people dependent on agriculture in most government policies ever since globalization policies are being implemented in the country from the early 1990s, unlike in the earlier period, has also been pointed by him, as an important factor that led to the ongoing crisis in agriculture sector. To



these, insensitivity and collapse of administration meant to serve rural community including weakening of public distribution system, lack of minimum infrastructure provision like drinking water, housing and medical service, can be added. Cumulative apparent cause(s) for farmer's distress.

Immediate apparent cause(s) for farmers' distress have been monitored through various studies by the author along with others. It has been observed to be cumulating since 1997. In 1997⁶, in the context of the then widely reported cotton farmer's suicides, lack of institutional credit access, high input prices, dependency on input traders for extension (technology transfer), spurious and substandard seeds, pesticides and fertilisers (in the same order), and declining market prices for the produce were observed to be prime causes for the distress. During 2000 and 2001⁷ (as part of Justice P A Choudhary Commission study), in addition to the earlier causes, power related irrigation problems (under wells) and associated uncertainties, occupied the centre stage as causes for the farmers' distress. During 2003–04⁸, in addition to the earlier ones, increased livelihood cost, especially on health and education, have become additional causes for the distress. This shows that the causes for the farmers' distress have become additive and more complex with passage of time despite some palliative measures being taken by the governments at the centre and in the state from time to time on adhoc basis. This only shows gross inadequacy of the strategy adopted by the government in tackling distress problem.

Relief measures in Andhra Pradesh – situation not yet brought to control

Present cycle of suicides⁹ in Andhra Pradesh started on 15th December 1997 in Yelkurthy Haveli village, Geesukonda mandal, Warangal district. Suicides of the farmers are continuing even now at an accelerated rate (as indicated by paper news), after assumption of power by the present government led by K. Chandrashekar Rao, Chief Minister of TRS, and that too after initiation of steps by the KCR government to extend help to the farmers in distress, supply of free power to agriculture, waiver of all power dues of the farmers, were announced on the very first day of assuming office by the present Chief Minister. A bill declaring moratorium on the collection of dues of the farmers by the private money lenders for six month period was also subsequently passed by the State Legislature. A special assistance of Rs.0.50 lakhs has also been announced by the Prime Minister to the family members of suicide victims. Central government, in addition, has announced postponement of loan collection by 5 years by public financial institutions with a moratorium for the first two years. Earlier, government established help line at every district head quarter in order to assure all help and extend moral courage to suicide intending farmers to persuade them not to commit suicides. Leaders of all political parties, intellectuals, artists, social workers and others interested in farmers, conducted widespread campaign appealing to the farmers under distress not to resort to suicide and assured them that they are behind them in the hour of crisis. In spite of these, suicides did not stop and have been continuing unabated. This is causing anxiety among every one concerned with farmers and the governance. This is also indicating that the cause for farmers' distress is much more complex than what is being thought of by the



government and projected by some of the farmers' organisations, some experts, and the media in general, merely as a problem of accumulated debt, supply of spurious and substandard seeds and pesticides, and lack of adequate institutional credit in the context of globalisation policies. The steps already taken by the new government though in right direction are not by themselves, adequate to meet the complexity of the situation. Continuation of suicides with acceleration, under these circumstances, is making every one concerned to think about what else needs to be done to counter the on going distress conditions of the farmers.

Reform policies at the core of farmers' distress

What is more significant is that none of the policies have been formulated in any casual manner but were formulated as part of globalising the Indian economy. These are being continued with a single direction unmindful of even very visible adverse consequences on the livelihood of dependent population. Supporters of so called 'reform policies' are saying that the present crisis in agriculture is due to inability of the state (larger meaning) to implement any reform policy in agriculture. They feel that reforms should be implemented urgently in agriculture sector also. By reform in agriculture, they are meaning corporatisation of agriculture, in which peasant farming, especially small farms, which constitute > 80 per cent of holdings, should be eliminated altogether¹⁰. They are not offering any meaningful alternative profession to the likely displaced persons as a result of corporatisation of the sector. From this angle alone, real insensitivity of the previous government(s) to the continuing distress of the farmers and consequential suicides should be understood.

New economic, industrial and seed policies were implemented since 1991. Globalization, liberalisation and privatisation policies are being pursued more visibly since 1995. India signed GATT agreement in 1994. WTO became operational from 1995. Many transitory provisions have been inserted in WTO to enable member countries to adjust their policies to changing trade situation under WTO regime. So called reform policies in fiscal, administrative and agricultural policies have been introduced by the Government of India. In addition, Structural Adjustment Policies were being implemented in the Andhra Pradesh since 1998¹¹ after borrowing Structural Adjustment Loan from World Bank as part of fulfilling the conditionalities attached to the loan. As part of these policies, many important changes have been made in the state policies having impact, among others, on agriculture, education, handloom, industry and service sectors. Consequences of these policies are having very adverse impact on the lives of the people of the state, especially on those dependent on government help in some way or the other, which are not always fully admitted by the state as such. News paper reports are indicating that Jayathi Ghosh Commission on Farmers' Welfare by Government of Andhra Pradesh has identified that the reform policies are mainly responsible for farmers distress (see any news paper dated 12th December, 2004 published from Andhra Pradesh). However, this report is not yet made available by the government to the public.



Focal point of distress

Identifying the focal point of distress is critical to counter it and prevent farmers' suicides. The present distress has both class and individual peasant family angle. Agrarian sector, as a whole in India, is facing crisis. There is large diversity among the peasants for distress tolerance. Those not having tolerance, specially the *defacto* heads of families (note *dejure* heads of families may be different under Indian family structure), are forced to commit suicides when they are not seeing any way out of their financial distress. Hence, policies designed to counter distress occurring at both the levels need to be addressed. While macro fiscal and trade policies may help to overcome the class distress, distress occurring at the level of family needs intervention with policies directed at the micro-level. The alternate strategy suggested in this paper seeks to address the micro-level distress at the family level to prevent continuing farmers' suicides.

Farmers of rain fed areas - worst exposed to distress policies

From January 2005, Indian agriculture is facing full play of global market faces with the expiry of transition provisions available under WTO. When irrigated crops, having higher productivity and less risk, are not in a position to compete in the free global market, the question of rain fed crops with low productivity and higher risk withstanding global competition, which have disadvantage even within Indian market system, does not have even a remote possibility. It has been suggested that over 90 per cent of agricultural imports are relating to crops, which are mainly grown in rain fed areas, affecting the lives of people of these regions adversely¹². Electricity reforms have also more adversely effected the farmers of these areas and hence the distress of these farmers is more severe.

Commodity futures trading in agricultural products brings no relief to the farmers

The price discovered through futures trading is for the exchange of underlying commodity between the traders and in no way represents the farmer's price. The farmer's price ultimately depends upon the local market conditions prevailing at the time of sale of next crop after its' harvest. If crop planning is done based on price discovered in futures' trading at the time of taking decision about the next crop to be sown, the price risk involved for the farmers is in no way reduced, compared to the present based on the previous years' price trend. The risk covered through futures trading is the risk of the traders and is in no way connected with the risks of the farmers encountered in crop production. Futures trading in agricultural commodities in no way reduces the importance of CACP working, remunerative or minimum price support mechanism, and the need for maintaining an efficient and credible crop insurance. Therefore, it can be said that futures trading does not benefit the farmers directly but is likely to have several disadvantages like working upper price limit beyond which the trader should not offer. Experience of coffee, tea, rubber, and cotton farmers, so far, at the time of their crisis, clearly establish



that futures trading have not been helpful to the farmers. There are no reasons to believe that the future experience of the farmers might be different.

Futures trading from regular stock market will only give big leverage to global market forces, especially MNCs, and domestic commercial organisations to control the price system and speculate with no check, with least cost. Indian farmers, thus, will be more vulnerable to global and domestic market pressures than at present, over which nation-state will have either extremely limited or no capability to control. Amplitude of price variations has now become more violent and fluctuating at the time of crop harvest and after peak sale period, whose behaviour can never be predicted in advance. Neither the government at the centre nor in the state are able to predict demand in advance for agricultural products. So far, they have been vaguely advising the farmers to produce only those products which will have demand in the market, which they themselves do not know.

Private or Co-operative contract farming?

In this policy milieu, contract farming is being encouraged in Indian agriculture, both by Central and State governments, in the areas specially where new technologies / crops are being introduced with a view to produce exportable commodities. The new crops / technologies are expected to have higher returns as compared to traditional crops. However, the demand and price of these new commodities have been varying widely over the years and the farmers have to absorb substantial portion of the loss. Governments are also promising new subsidies to the contracting farmers¹³. Under the circumstances, farmers outside contract farming are bound to get discriminated and will have to continue with older technologies with low incomes. Therefore, under the new set of policies, it is a challenge for every one concerned to ensure livelihood security to the people dependent on agriculture.

Expenditure Reform Commission Report of the Government of India in its VIII Report (September 2001) on Rationalisation of the functioning of Department of Agriculture and Co-operation prescribes, vide para 5.7, corporatisation of agriculture and running it like an industry as a solution to present agricultural crisis. It has suggested four models for this purpose. The first two models are through company farming (Joint stock company type) and are broadly similar except regarding the manner of holding shares by the farmers owning lands. The third one is private contracting farming, where farmers till themselves and produce what the company wants.. The fourth one is based on production contract through Co-operative NDDDB model. Justice P. A. Choudhary Commission critically examined the second and third models, which were under experimentation since 1997 in Andhra Pradesh. It came to the conclusion that company farming model will never serve as a model to solve the problems of small farmers as it is highly destabilising socially, among others,. The private contract model at Kuppam (Chittoor district in Andhra Pradesh) is also one-sided contract (there was no written contract with the farmer producers) and has serious consequences for the farmers¹⁵. In spite of heavy



financial support from the State Government, this model also did not bring any cheer to the farmers. If this model is adopted, this Commission felt

“Contract farming leads to unbridled exploitation of small farmers by private capital converting the latter into serfs of modern capital,” page 107 of the report). It has favoured the Co-operative model of Contract Farming, on the model of NDDDB, to take care of the interests of the farmers and to protect national interests' vis-a-vis the MNCs (para 5.13.13).

Corporate influence in policy evolution

The above changes are taking place at a time when the ability (ies) of the nation-state to intervene, is decreasing. The space vacated by the nation-state is being replaced by corporate interest / corporate collective bodies via WTO / domestic Chambers of Commerce and Industries Organisations via their control of the ruling parties. Hence, any policy strategy now to be formulated, should take these changes and the changes that will be taking place from January 2005, into consideration.

There is no nationally agreed 'Agricultural Policy' though a draft of 'National Agricultural Policy'16 document has been presented to the Parliament some time in 2000, on which no debate has taken place. However, many policy ingredients of this document have been and are being implemented, as part of globalising the Indian economy.

Alternate Policy strategy

During the period of green revolution, farmer was visualised primarily as 'producer of agricultural products'. Every policy package was designed to support production (and the farmer) and production management system with the goal of attaining (and sustaining) self-reliance. Self-reliance oriented policies themselves ensured some sort of livelihood security to the dependent people on agriculture, not withstanding several shortcomings in it. Earlier, sometime around 1987, several cotton farmers of Prakasam and Guntur districts were forced to commit suicides due to heavy losses following failure to control white fly damage. The situation, however, was effectively brought under control by a combination of technological and policy intervention based on Ozha committee recommendations under the then overall policy framework of self-reliance. But now, in place of self-reliant economic policies, LPG policies are being adopted. In the light of these broad policy changes, the kind of policy strategy needed to ensure 'livelihood security' to the agriculture dependent population, needs to be formulated to counter the distress on more sound footing and in a lasting manner.

The 'core' of the policy should, then, be protection of livelihood security of the dependent people. The core policy should be designed to counter the corporate onslaught on the livelihood security of the dependent people and on the food security of the nation. Under corporate dominated governance, the only force that



can effectively counter the corporate power is ‘consumer’ power. In the present policy milieu, farmer is more powerful as a ‘consumer (of both his family needs and technology and inputs needed in production)’ rather than as ‘producer’ of agricultural products for the markets. Therefore, the core of the policy to be formulated should be (to resist unbridled market forces) is to consider the farmer as a ‘consumer’ rather than as a ‘producer’. This represents shifting the paradigm for the farmer to act, as a consumer of the technology, its inputs and for family needs rather than being a producer of agricultural commodities for the market.

As consumers, farmers, especially small, know what will have to be produced and with how much priority, how to use the resources already accessible to them and to select only that particular technology(ies) that suits them well, when once protection of livelihood becomes the core of the policy. Government can have reasonable estimate of what and how much is to be produced to meet both domestic and export requirements. Medium farmers can be encouraged to have their own choice to meet their personal or family needs first and simultaneously take advantage of the market to ensure maximum livelihood security. Rich farmers can have their choice to take advantage of higher market price, for which they are capable of taking higher risk. Government should evolve suitable policy strategy for the purpose.

Paradigm shift to enable alternate strategy

Shifting paradigm for the farmer, as above, involves a complete re-look at the policy strategy. This necessitates giving priority to produce more to satisfy personal or family needs rather than for the market in order to ensure livelihood security. The policy, then, essentially involves minimisation of dependence on market forces, shift to locally sustainable consumption – production policy package (instead of production –consumption package). This further needs identification of ‘what is feasible’ and ‘what is not feasible’ technology (ies) that can be adopted taking into consideration ‘maximisation of locally sustainable’ resource use and adoption of sustainable ‘consumption – production’ practice(s).

Nurturing ‘consumption habits’ to ensure sustainable livelihood for the dependent people, for example avoiding use of processed foods and consuming fresh or unprocessed products, should be at the core of the consumption – production policy for the nation. Fortunately, more than 90 per cent of the Indians are habituated to consume either fresh products or products with minimal processing like hulling or grinding etc. State intervention strategy should aim at ensuring livelihood security to dependent people. Policy strategy should also be designed to meet all social needs and obligations including education and health needs. This type of policy suits the needs of small farmers well. Big farmers can go in for crops with higher risk involving market forces. Government should have enabling policy for the farmers to have their own choice and should not impose the needs of market.



Sector wise plan formulation

Sector wise detailed work plan needs to be formulated for nurturing consumption habits in the following sectors to ensure livelihood protection and meet social needs:

- a) Food products.
- b) Non-food agricultural products.
- c) Education.
- d) Health.
- e) Drought proofing and its management.
- f) Developing market infrastructure for bringing / dovetailing consumption needs bypassing middlemen. Organize consumers and producers in a more coordinated and cohesive manner.

Compatibility of alternate strategy with existing policies

Production policy with primary objective of meeting local sustainable consumption needs of the dependent population as the core objective, basing on maximisation of local resource use, is in conformity with the core philosophy of Watershed based development and sustainable production principles. Remunerative traditional technologies will have their due importance in the new policy framework.

The alternate model is also compatible with Cooperative Contract Farming model of NDDDB, for adoption of all sustainable technologies including diversified farming practices, maximization of local resource use, growing of tree crops, organizing producer cooperatives in the production centers and consumers' cooperatives in consumption centers and reducing dependence on market forces. The alternative strategy also suits well organization of agro-processing units. This strategy also will not be contradicting the WTO provisions as the producers are free to exercise their choice of farming / cropping practices.

FINDINGS:

1. Policy is the most important and critical input in agriculture and all other factors of production are only secondary in importance. Hence, present agrarian distress and farmers' suicides need to be viewed in the overall context of the policy environment. Trying to factor out more important ones and assess their impact will lead to partial and often misleading conclusions. The issue at present is not whether there is crisis situation in agriculture or not. The issue is one of understanding the nature of prevailing crisis. Since the suicides are taking place at the level of the family and the individual, these need to be immediately addressed to prevent them. Macro level considerations at the sectoral level will be of little help in preventing the on going farmers' suicides at family level.
2. See for example Report of the Commission for Agricultural Costs and Prices for the crops of 1999-2000 season.



3. For example, see report of Justice P A Chowdhary Commission of Experts on Agriculture in Andhra Pradesh released in 2002. Dr K.R.Choudry, A.Prasad Rao, N.Venugopal Rao, and D.Narsimha Reddy are the other members of this Commission. This is a data based comprehensive analysis of farmers' distress in Andhra Pradesh. This is an unofficial commission, which studied the problem at the instance of Vyavasayaranga Parirakshana Aiky a Porata Vedika, Hyderabad representing 12 peasant organisations. Report is available from several bookshops including Prajasakthi Book House, Hyderabad.
4. See end notes 1.
5. The Hindu daily dated 10th September 2004.
6. See K.R.Choudry, A. Prasad Rao and M.Koteswar Rao. 1998. Distress of Farmers- X-rayed – A case of Andhra Pradesh. Andhra Pradesh Rythu Sangham, Hyderabad.
7. Justice P.A.Chowdhary Commission report referred under 2.
8. Andhra Pradesh Rythu Sangham, Jawahar Nagar, Hyderabad (unpublished).
9. Earlier, some time around 1987, suicides of some cotton farmers took place in Warangal district. Government intervention at that time, based on Ozha committee recommendations along with technological intervention, controlled these suicides soon under the then policy milieu of self-reliance.
10. For example see Vision 2020 document (Swarnandhra Pradesh) of Andhra Pradesh, National Agricultural Policy document of Government of India 2000, and Expenditure Reforms Commission.