



Research Paper

Agrarian Distress and Farmers Suicides in India

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I. Introduction

Agrarian issues occupy a prominent place in India's political economy because agriculture employs a large section of the rural population, providing employment to almost two-third of the work force directly. As this sector is an important sector for any developing economy especially countries like India, it is necessary to increase productive capacity of this sector through increased investment in basic infrastructure, human development and research and extension services to contribute to the overall growth and poverty alleviation. In this paper we try to examine the trend in large scale farmer's suicides in India and try to analyse if the present agrarian scenario is responsible for the farmer's suicides in India. It is important to note that suicides are concentrated in a few regions (mostly low rainfall, low irrigation tracts of Karnataka, Andhra Pradesh, Maharashtra, and parts of Kerala and Punjab).

The number of farmers who have committed suicide in India between 1995 and 2011 now stands at a staggering 2, 70,940. The question then is what is common between farmers who have committed suicide? It is widely argued that the answer lies in the economic policies of the government of India. The economic reforms which began in early 1990s manifested itself into variety of policy change, such as liberalization of trade, withdrawal of the state from social sectors like education and health, and sectors like telecommunications, power and banking. Public sector units began to be dismantled and privatised. In agriculture, the agrarian crisis which engulfed rural India during the post reform period has three main important components, rising input costs, falling price and inability of farmers to abandon farming in absence of alternative livelihood. This crisis started when the government started to begin to demolish the entire mechanism that was built up in stages starting from the post Independence period to the beginning of the 1990s to protect the peasantry from the instability of the market. The protectionist arrangements consisted of input price subsidies and output price support, which enabled the farmers to take up cultivation in a predictably stable environment. During the post reform-period, the government not only slashed the subsidies on major inputs, but also substantially diluted the responsibility to produce or procure and distribute these inputs at farm gates. Private companies were allowed to sell inputs; private operators seized this opportunity and pushed up prices of inputs. All these led to the rise in the cost of cultivation. The situation got worse when the rates on institutional credits went up and further lowering the farmer's ability to borrow, pushing the farmers towards the clutches of private moneylenders. Thus, lowering government expenditure and cutting down on subsidies, meant that cost of cultivation had increased drastically. In absence of institutional loan, farmers resort to non institutional loan. Thus rise in input cost and very high interest led to indebtedness among farmers in India (table 2).

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Farmer's suicide is concentrated in regions where Bt cotton was cultivated, it is a genetically modified seed, Bt cotton that was enthusiastically endorsed by the government has wreaked havoc on cotton farmers' lives. The introduction of hybrid varieties of seeds requires high input use, requires chemical fertiliser, chemical pesticides and timely water. This means that the cost of cultivating hybrid varieties required huge capital. With the expectation that these crop especially cotton would bring huge return, these were adopted by large number of farmers. So what went wrong?

We try to answer this question by analysing some factors which affected profitability. For analysing profitability we have to look into the components of cost of cultivation and the price of cotton. Cost of cultivation includes credit required for land preparation, buying seeds, fertilizer, pesticides, etc. In India cost of

cultivation remained very predictable as Government used to give subsidies so as to make cultivation viable. Subsidies to any sector are a form of support given to it by the government. For example the difference between the price of a crop and the cost of production is met by the government called subsidies. In agriculture, subsidies can take the form of fertilizer subsidy, food subsidy, petroleum subsidy, power subsidy. The fertilizer, petroleum and power subsidies reduce the cost of cultivation for the farmers, while the food subsidy benefits both the farmers and the buyers of food. In the period of economic reforms, there has been a continuous attack on agricultural subsidies on the ground that these are an unnecessary burden on the government's budget. Table1, shows that government has slashed agricultural subsidies on fertilizer; electricity and irrigation have actually declined in real terms. Even as the Indian government has cut down on subsidies at the behest of international organizations like World Bank, IMF and WTO, while the developed countries continue to give huge subsidies to their farmers and agriculture.

The technology adopted especially in cultivation of BT cotton requires seeds purchased from the market and increasing quantities of chemical fertilizers and pesticides. The withdrawal of subsidies from important spheres and allowing MNC to manufacture and distribute inputs has further increased the costs incurred by cultivators. In addition to this, the decline in public investment and expenditures on irrigation and rural development meant that farmers had to fend for themselves. The cumulative impact of the input intensive technology employed and the domestic reforms in agriculture have been an increase in the costs of cultivation for farmers. The financial sector reforms in the 1990s have allowed the banks to dilute the mandate of priority sector credit to agriculture companies engaged in construction and maintenance of cold storage, dairying, food processing and other agro business. The definition of agricultural credit has extended to business houses dealing in farm inputs, machinery. As far as cultivators are concerned, only those who can provide sufficient collateral can avail institutional loan. Due to the difficulties of procuring bank credit, farmers are forced to go to moneylenders who charge exorbitant interest rates. All these have escalated the cost of credit required for cultivation. The nominal cost of cultivation increased many times in the nineties an important role played by market forces, freeing of controls and increase in input costs.

On the one hand the government promoted multinational giants such as Monsanto; on the other hand the government had withdrawn market controls, tariffs and subsidies for agriculture under the recommendations of the World Bank. This is done without providing proper infrastructure such as irrigation and marketing facilities. This has pushed Indian farmers to compete with farmers in the United States and the European Union who are protected by trade restrictions and provided with billions of dollars as subsidy. The 2002 Farm Bill in the U.S. alone gave \$190 billion to large companies growing cotton, wheat, corn, soybean, rice, barley, oats and sorghum. The other factor which led to a rise in the cost of cultivation was that the new cotton crop was highly susceptible to innumerable pests and insects – American bollworm being the most common; as a result of which farmers spray pesticides several times on the standing crop. It was estimated that in Maharashtra, the cotton crop alone accounts for 54 per cent of total pesticide consumption. The overuse and misuse of pesticides not only inflates the costs of cultivation but also leads to decreased yield due to problems of harmful residues, pest resurgence, development of insects resistant to insecticides and ecological upheavals. Farmers also lack expertise on good pest. Thus, we see that changing economic policies to a large extent explain the rising cost of cotton cultivation in India.

Earlier, farmers had an assurance of the price they get for their produce, which they can sell the output to the government. Government procurement of crops is on the basis of prices fixed by Commission for Agricultural Cost and Prices (CACP). However there are serious problems of the commission like suggesting a lower price for the crop, also the government recommends low minimum support price so that the government do have to dole out a large subsidy. Also, there has been a steady decline in the procurement of crops by the government, absence of assured procurement meant that farmers had to sell their output to local traders.

In addition to this, farmers in the new regime of liberalisation had an additional pressure that they were exposed to fluctuations in the international markets. Between 1997 and 2003, prices of many commodities including cotton crashed in the international markets. Subsidies given by the US to its cotton farmers have largely been accepted to be the reason for the spectacular decline in cotton prices at a global level. (Globally, governments spend as much as \$ 5.7 billion annually on cotton subsidies. The biggest subsidiser is the US. Economists estimate that US subsidies and over-production cause a 10% reduction in global cotton prices, on average. Of the leading cotton producers, only the US provides such massive government support to its farmers. In crop year 2002, the US government provided \$ 3.4 billion in total subsidies to its cotton sector).As a result of subsidies received, US cotton farmers increase their production much in excess of demand and this excess production is then dumped in the international market, which increases the world cotton supply, thus pushing down the prices. This meant that farmers now received low price for their produce. In case where farmers have taken loan had no money left to take back home at the end of harvest. The opening up of the agricultural sector to international markets affected their profitability, which was compounded by high input cost and high interest rates. The manufacturer of Bt cotton, Monsanto, said Bt cotton was resistant to boll weevil - the main cotton

pest - and required just two sprays of insecticide for every crop, instead of the usual eight. This seed sold for about four and a half times the cost of normal seed, but many farmers opted to buy it because they believed it was indestructible and would give a higher yield. They were devastated when many of the BT cotton plants were afflicted with a reddening that destroyed much of the crop leaving the farmers with unusually high debts.

Cost of production exceeded the prices; most farmers were running into huge losses and had to borrow heavily. Since most of them had defaulted on loan repayments the banks were unwilling to extend fresh loans. Their only recourse was to borrow from the trader-moneylender at 60 to 120% interest. This has ensured that the farmers are trapped in debt.

Between 2000-01 and 2001-02, there was also a surge in the import of cotton, which surged from 7.87 lakh bales in 1998-99 to 25.26 lakh bales in 2001-02. Thus, farmers hoping to gain from the expansion of markets caused by trade liberalisation ended up suffering losses as their markets actually contracted under global competition.

Even basic steps to increase productivity on land under cotton cultivation were not taken. One possible step could have been an increase in the proportion of area under cotton cultivation that was irrigated.

Apart from cost of cultivation and price of cotton – its yield also affects the profitability of cotton. The state-wise cotton yields during the period 2000-01 to 2005-06, yield of cotton have stagnated or even declined in some states.

The cost measure (see table 3), shows that only Maharashtra has a negative profit/surplus income per hectare in 2006. The size of this negative surplus is substantial and over Rs 1,000 at 2000-01 prices.

Conclusion

This paper concludes that the loss in the competitiveness of the Indian cotton farmer after the opening up of India's agricultural economy in the mid-1990s was a major reason for the increasing incidence of farmers' suicides. In a closed economy framework, farmers were faced mainly with yield risk and any crop loss could at least be somewhat compensated by an increase in domestic prices. In an open economy, however, crop failure may be accompanied by a fall in the ruling price in case of an increase in world supply. Thus, the farmer faces not only yield risk but also price risk. Overall, three factors contributed to the plight of farmers – low price of cotton due to international exposure, a lack of dynamism in cotton yield per hectare and a huge increase in costs of cultivation. All these factors not only made cotton farming un-remunerative but also substantially increased the indebtedness among farmers in the cotton growing region

Thus suicides by farmers are not individual acts of desperation but part of a systematic problem located in a much larger socio economic political context. The policies of the government are forcing more and more people to take this extreme step. They have driven an entire community to a point of no return, a point where their livelihood itself stands threatened.

Table : 1
Structure of Agricultural Subsidy in India
(at constant prices 1999/00) (Rs crores)

| year | Fertilizer | Electricity | Irrigation | Others | Total subsidy |
|-----------|------------|-------------|------------|--------|---------------|
| 1993-94 | 4562 | 2400 | 5872 | 1235 | 14069 |
| 1994-95 | 5769 | 2338 | 6772 | 1246 | 16125 |
| 1995-96 | 6735 | 1977 | 7931 | 1034 | 17677 |
| 1996-1997 | 7578 | 8356 | 4937 | 3819 | 24690 |
| 1997-98 | 9918 | 4937 | 10318 | 983 | 26156 |
| 1998-1999 | 11596 | 3819 | 11827 | 1182 | 28424 |
| 1999-2000 | 13244 | 4276 | 11487 | 1937 | 30944 |
| 2000-01 | 13800 | 6056 | 13756 | 835 | 34447 |
| 2001-02 | 12595 | 9342 | 13309 | 978 | 36224 |
| 2002-03 | 11015 | 7354 | 15401 | 1259 | 35029 |
| 2003-04 | 11847 | 14561 | | | |

Source: Agricultural Statistics at a glance, 2005. GOI

Table : 2
Indebtedness of Farmers Household July 2002- July 2003

| States | Incidence of indebtedness (%) |
|-------------|-------------------------------|
| AP | 82 |
| Assam | 18.1 |
| Bihar | 33 |
| Gujarat | 51.9 |
| Haryana | 53.1 |
| Kerala | 64.4 |
| MP | 50.8 |
| Maharashtra | 54.8 |
| Orissa | 47.8 |
| Punjab | 66.4 |
| Rajasthan | 52.4 |
| Tamil Nadu | 74.5 |
| UP | 40.3 |
| WB | 50.1 |
| India | 48.6 |

Source: Situation Assessment of farmers. National Sample Survey. 2005

Table : 3
Projections of profit/surplus Income per hectare (in rupees)

| States | 2000-01 | | | 2005-06 | | |
|----------------|---------------------------------|---------------|-------------------------|---------------------------------|---------------|-------------------------|
| | Cost of cultivation per hectare | Total Revenue | Profit / surplus Income | Cost of cultivation per hectare | Total Revenue | Profit / surplus Income |
| Andhra Pradesh | 12406 | 24985 | 12579 | 22207 | 23803 | 1597 |
| Haryana | 6431 | 22162 | 15731 | 3601 | 16193 | 12592 |
| Karnataka | 6805 | 11321 | 4516 | 5580 | 6418 | 838 |
| Maharashtra | 9244 | 12548 | 3305 | 20707 | 19700 | -1006 |

Source: S Mitra and S Shroff: Farmers suicides in Maharashtra. epw. December 8, 2007

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