

# Farming Crisis in India: Causes, Consequences and Remedies

Dr. Sanjay K.Solomon

Associate Professor

Department of Commerce, Lucknow Christian College, LUCKNOW

## ABSTRACT

Despite growing migration to cities in the past two decades, of the 121 crore Indians, 83.3 crore live in rural areas while 37.7 crore stay in urban areas, said the Census of India's 2011. It has been a season of agrarian discontent in India and farmers across various states have regularly been holding demonstrations over the past year, pressing the government to offer them more help. The situation exposes the precarious state in which the country's struggling farmers and impoverished landless agricultural laborers currently find themselves in distress. There are number of conflicting reasons for agrarian crisis, such as monsoon failure, high debt burdens, genetically modified crops, government policies, public mental health, personal issues and family problems farmers indebtedness and bankruptcy and farms regarding issues i.e. fragmentation and subdivision of land holdings. Experts say many farm commodities are trading below support prices set by the authorities, because the government only commits serious sums to buying wheat and rice, but not other crops. Agriculture, especially in the context of India, constitutes the back bone of the whole economic system. It provides employment opportunities to more than 50 per cent of the total workforce in India and contributes around 17-18 percent to the country's GDP in addition provides necessary inputs for high industrial growth. It also supplies fodder for India's huge livestock and has become major way to earn foreign currency. Therefore, required attention in the form of realistic policy measures such as timely availability of formal credit and other inputs to the farmers, creating the awareness about policies and programs of the government meant for educating the farmers through different media platforms is the need of hour on the part of the Indian government. Agricultural growth can be seen as an enabler of the overall economic growth of India.

Keywords: Agriculture, Crisis, Farming Crisis, Consequences, Foodgrains, Agricultural Credit, Agriculture performance.

Agriculture is one of the most important pillars of the Indian economy. The contribution of agriculture and its allied sectors to India's GDP stood at 17%. More than half of the Indian population is dependent on agriculture for its subsistence. Since the beginning years of economic development, it has been one of the main drivers of growth of the economy as it supplies were a major source of raw materials to most of the manufacturers. In spite of its great significance to the Indian economy, the share of agriculture and its allied activities in India's GDP is continuously declining over the years. The trends in the area, input use, capital stock and technology also reflects the downfall of agriculture and farmers' response. It indicates that the income earned from the agricultural activities is not sufficient to the livelihood of the farmers. The factors responsible for the crisis are dependence on rainfall and climate, liberal import policy reduction in agricultural subsidies, lack of easy credit to agriculture and dependence on local money lenders. It is felt that this crisis would be affecting majority of the people in India and the economy as a whole. Nearly 70% of India's 90 million agricultural households spend more than they earn on average each month, pushing them towards debt, the primary reason for more than half farmer suicides recorded nationwide.

Agriculture, an important sector of Indian economy accounts for 17 per cent of the nation's GDP and about 11 per cent of its exports. India has the second largest arable land base (159.7 million hectares) after US and largest gross irrigated area (88million hectares) in the world. Rice, wheat, cotton, oilseeds, jute, tea, sugarcane, milk and potatoes are the major agricultural commodities produced. More importantly, over 60 per cent of the country's population, comprising several million small farming households, depends on agriculture as a principal income source and land continues to be the main asset for livelihood security. After Independence, India followed an agricultural development strategy that focused on self- sufficiency in staple foods like wheat and rice. Agrarian

reforms were undertaken in the form of consolidation of holdings, abolition of landlordism etc. However, for most part of the country, these reforms have remained just in paper thus not ensuring equitable distribution of land.

Small and marginal farmers constitute 80 per cent of total farm households, 50 per cent of rural households and 36 per cent of total households in India. These farmers and their families are among the victims of India's longstanding agrarian crisis. Economic reforms and the opening of Indian agriculture to the global market over the past two decades have made small farmers vulnerable to unusual changes and fluctuations. The small farmers have now to compete with the larger ones who are well endowed with capital, irrigation and supplementary businesses to buffer them against any adverse shocks. As fallout the farmers are facing what has been called a "scissors crisis", which is driven by the rising cost of inputs without a commensurate increase in output price. A crop failure, an unexpected health expense or the marriage of a daughter are perilous to the livelihood of these farmers. An adverse weather change, for example, can lead to a drastic decline in output, and the farmer may not be able to recoup input costs, leave alone the ability to repay loans. Sometimes farmers have to plant several batches of seeds because they may go waste by delayed rains or even excess rains. The problem has dragged down yields and rural consumption nationwide a heavy economic drag on a nation where two-thirds of people live in the countryside. The current crisis in Indian agriculture is a consequence of many factors low rise in farm productivity, non remunerative prices for cultivators, price fluctuations. erratic weather conditions affecting harvests, small landholdings, overdependence on subsidies for power and fertilizer, unfavourable trade policies, constrained markets for their products, restricted access to capital and farm inputs such as fertilizers or seeds ,insecure land ownership limiting farmers' propensity to invest ,poor food storage facilities resulting in high levels of wastage. Fragmentation of land holdings and a fall in public investments in rural areas, especially in irrigation facilities have further compounded their woes.

The objective of this paper is to examine the issue of agricultural crisis in India, its root cause, consequences of the crisis and to highlight the major suggestions for its development.

#### METHODOLOGY

This research is mostly descriptive in nature. Secondary sources of data have been used for this Secondary data has been collected from different published sources like books, journals, newspapers and magazines, and web sites.

Research Methodology ;The secondary data has been collected. For this purpose, various magazines and journals have been used as it is a conceptual paper. Thus, the focus is to know more about the concept, its application and the impact on economy. Therefore qualitative data have been used.

#### METHODOLOGY

This research is mostly descriptive in nature. Secondary sources of data have been used for this Secondary data has been collected from different published sources like books, journals, newspapers and magazines, and web sites.

Agriculture is the main source of employment in India. More than 56% of the total labour force of India is engaged in agriculture. It is a source of employment and it becomes evident from the fact that other sectors of the economy could not generate enough employment for the growing population. Moreover, workers engaged in various industries depend on agriculture for their food requirement. Many industries like cotton industry, sugar industries, jute industries etc., depends on agriculture for their raw material requirements. Through exports of agricultural commodities like tea, cotton, coffee, jute, fruits, vegetables, spices, sugar, oil, etc. export of agricultural products account for about 70% of the export earnings of the country. Various means of transport like roadways and railways get bulk of their business from the movement of agriculture commodities & raw materials. The direct contribution of agricultural taxes to the central & state government is not significant, they get a significant part of their total revenue in terms of land revenue, irrigation charges, taxes imposed on the commodities purchased by the cultivators etc. the central government also earns revenue from export duties.

Agriculture use to provided nearly 70% of total employment of the country directly or indirectly and contributed more than 51 % to the Gross Domestic Product (GDP). But nowadays agriculture and allied sectors provided nearly 55% employment while its contribution to the GDP had dramatically dropped to just 16%. This means that agriculture sector is absorbing too many people in order to produce too less value. It is oversaturated with workers and farmers who are depending on ever smaller returns from it. This has happened because the growth in industrial sector that was supposed to absorb the excess population engaged in agriculture did not happen. The slow pace of industrialisation, caused by not just erroneous policies like export orientation, but also refusal of Indian capitalists to invest in heavy industrialisation and preference for the services sector are some of the reasons behind this. The

neglect of the successive governments in failing to implement land reforms and not having a policy to provide alternative employment to the large population dependent on agriculture has aggravated the crisis. Another factor is the increasing fragmentation of land. In 1970-71 the average size of landholding for families dependent on agriculture was 2.28 hectares. By 2010-11 Agriculture Census states that on an average only 1.15 ha of cultivable land was available per cultivator. If we look at the status of farmers belonging to SC and ST communities the situation is far worse. In 1980-81 the average land holding size for SCs was 1.15 ha which reduced to 0.8 ha in 2010-11. Similarly, for ST farmers it went down from 2.44 ha to 1.52 ha in the same period. This is one side of the picture: high number of dependants on agriculture and falling land holding size. Nearly 67 % of the farmers operate on land less than 1 ha and 18 % of farmers own between 1- 2 ha of land that means 85 % of the farmers in India are marginal or small farmers while 0.7 % of farmers own more than 10.5% of agricultural land.

The rising input costs have added to the burden of most of the farmers. The DFI Committee analysed the cost benefit analysis of 23 crops grown in major states in India and concluded that the “increase in total costs” were responsible for the decline in real income from agriculture. To meet expenses, farmers borrow money either from banks or the local money lenders to sow their crops. In most cases it is the local money lenders who give the credit. According to the NSSO data more than 52% of the farmers are in a debt to a tune of Rs 47000 per household on an average. The farmers, despite high interest rates, take the risk and cultivate only to be disheartened when their produce does not fetch suitable prices that cover their costs and leave something over as profit. Only a small portion of the farm produce gets the minimum support price (MSP) more than 90 percent of farmers are at the mercy of the traders who set the market price. Meanwhile the state has stopped supporting the farm sector. Everything has to be purchased from open market. And there is no support of extension support services as the state had discontinued or greatly reduced these after the green revolution. It was observed that during the green revolution, extension services were in place and govt. officers helped farmers adopt new technologies and practices. After the discontinuation of these services, the govt. allowed multinational pesticides and seed companies to take over the responsibility of explaining everything to their own local agents who market seeds, fertilisers and pesticides. Public investment in agriculture, which drives the economy over the years has reduced drastically. The government spent 12-16% of the total Plan amount on agriculture in the year 1960-65 but by the time our country progressed to the 11th Plan in 2007, spending on agriculture has dipped to just 3.7%. Irrigation is important for increasing yields. Food and Agriculture Organisation (FAO) says that irrigation increases yields of crops by 100 to 400%. But in India out of the 140.8 million hectares of sown area nearly 78 million hectares which is 64 % of the total sown area is rain fed. This sad state of affairs is due to the neglect of the irrigation sector by the government. The Ministry of Agriculture's own report (State of Indian Agriculture) admits that after 1990s the government neglected irrigation by reducing the funds for it.

How food gets from the farmers field across the country to the plates of the country's billion people is itself a lengthy and complex process. What strikes the most is the level of fragmentation across the supply chain, which is hindering the country's ability to plan quickly and make adjustment to the system when necessary. These challenges, coupled with the importance of India's agricultural sector in feeding the population, have compelled the government to step in and regulate the system. The government's programmes to provide food for millions of low income families on the other side these programmes can be inefficient and wasteful. There are two types of agricultural supply chains in India, one which is regulated by the government itself and second run by the private sector. Nearly all farmers sell their produce in government controlled markets. The transactions are handled by commission agents who negotiate prices with the farmers. The agents charge certain amount as commission which depends upon the transaction value. The agents also provide finance for the farmers through the cultivation period. This finance is important because most farmers can't get credit in excess of the value of their next harvest. The FCI is the largest purchaser of wheat and other major agricultural products. The private supply chain moves mostly fruits and vegetables and has been more local and highly fragmented. The movement of a product from farm to a market often involves 4-5 middlemen. Due to lack of cold storage any disruption in this sequence can result in tons of food spoiling. Recent entry of big food companies is bringing change to this system through direct purchase from farmers as well as investing in modern processing and logistics. However these players still play a minor role in the overall supply chain as the government limits and regulates FDI.

Major government initiatives in this sector are:

- Government of India is planning to provide air cargo support to promote agriculture exports from India.
- Government of India has allotted Rs2,000crores for computerisation of Primary Agricultural Credit Society to ensure cooperatives are benefitted through digital technology.
- Distribution of soil health app and health cards to help Indian farmers. Around 100 million Soil Health Cards (SHCs) have been distributed in the country .



- New AGRI-UDAAN programme launched to boost innovation and entrepreneurship in agriculture
- Development of irrigation sources for providing a permanent solution from drought, Government of India has launched the Pradhan Mantri Krishi Sinchai Yojana (PMKSY) with an investment of Rs 50,000 crores.
- Government has committed Rs 6,000 crores for developing mega food parks.
- Government of India has allowed 100 per cent FDI in marketing of food products and in food product e-commerce.
- e-Rakam a new platform for selling agricultural produce launched. It is a joint initiative of Metal Scrap Trade Corporation Limited and Central Railside Warehouse Company Limited (CRWC).
- out of total Rs 51,000 crore allocated for urea subsidy, Rs 40,000 crore has been earmarked for domestic urea, while the rest is for imported urea for 2016-17.

The full dimensions of the agricultural crisis facing the country are even now not being realised. Not only do its effects go well beyond the boundaries of agriculture and rural India, posing serious challenges to the entire economic system, but also the solutions which really work are mostly long term ones. On the other hand, the government has an immediate political problem on its hands and has no option but to go for short-term palliatives which are counterproductive. So, it is critical to understand the systemic risk at play. The magnitude of the crisis affecting the world beyond that of the farmer is contained in two factors. The appalling condition of cities and slums created by migration since liberalisation indicates that gainful employment will have to be found in rural India itself for many who would rather go to a city for a job. Otherwise joblessness and urban malfunction will challenge the social fabric of India. This means urgently adopting PURA (Providing Urban Amenities to Rural Areas), the concept created by former President Dr. Abdul Kalam. It implies investing in all enablers of non-farm rural economic activity so that rural services can become an important job creator.

The dependency of agriculture on nature should be reduced. This should be done through effective management of water during seasons of good monsoons. Prevention of crop failure should be the primary aim of the Government. In most cases, it is not the lack of water but the lack of proper management on the government's part that causes water shortage. Water management should be made more effective through inter-state co-operation on water resources, where surplus water from perennial rivers can be diverted to those regions facing drought, as it is always seen in India, where in state there is severe drought, another state has to face worst floods, such regional imbalances can be managed by effective utilization of water resources throughout the country. Making institutional finance available to every farmer is another important solution to save the farmers from debt traps of money lenders. Where institutional finance is available, it should be made easily accessible to the poorest farmers. This calls for removing of elaborate formalities and procedures for obtaining the loans. A poor farmer would be unable to understand the complexities of procedures, he requires a simple solution for his financial needs. Monitoring is also needed to ensure that the farmers are using the funds for the right purposes. Farmers need to be advised and guided on economical methods of cultivation which would save finances for them. The technological advancement in agriculture should be passed down to the small farmers. Where the existing crops would not do well under current drought and weather conditions, the farmers could be helped to shift to the cultivation of crops which would be easy and economical to cultivate in adverse conditions.

The other most important factor is ensuring that Indian farming is in harmony with the global agenda to address climate change. Farming must become less water and energy intensive, generation of methane through livestock rearing and intensive farming has to be contained. Not only must farm incomes rise rapidly, but also farm practices must be in line with the strategy to fight climate change. It is a cruel irony that the present crisis has been created by a bumper harvest and resultant crash in prices. Good rains, which are a boon and result in abundant harvests, should be sought and prayed for, not looked at with apprehension. A key solution to this is to have adequate storage or godown capacity and farmers selecting crops which are at least partially non-perishable. Another solution to the problem of periodic oversupply is to have a robust food processing industry which will have substantial over capacity that will be used only once in a while. For example, if there is an oversupply of tomatoes, then build up a huge stock of ketchup. But here we come up against current medical advice urging people to consume more of fresh produce as, among other things, because processed foods contain harmful chemical additives.

The output of crops like potato, onion and tomato has to be either consumed more or less right away or be stored in conditions that add a bit of life. As for leafy vegetables, which are highly recommended, whatever is produced has to be immediately consumed or stored for a little while under refrigeration. Probably it needs an elaborate social media network which tells consumers to, say, have lots of spinach over the next couple of months, whether they

like it or not. It is good for both consumer and farmer. Another long-term challenge even more difficult is to give a facelift to the Green Revolution. The revolution led to excessive use of water and fossil fuel-based chemical fertilisers. Also, focus on cultivation of wheat and rice, backed by assured procurement, has led to decline in soil nutrition and productivity. The Green Revolution has to be replaced by sustainable agriculture pointing in the direction of organic farming. In Eastern India, the model to follow is that of Sikkim which has gone entirely organic. The way ahead is based on elements like manure from cow dung and pesticides from neem. The need to dismantle the system of mandis run by agricultural produce marketing committees is well known and being addressed. But what is not being simultaneously pursued with sufficient vigour is an alternative system. A small farmer has to be able to sell his produce within a geographically affordable area. So, what has to come up is a new supply chain which takes the produce to the food processor, organised retailer or the ultimate consumer. Farmers cooperatives is one answer again, this cannot be done in a day.

The major risks the farmer faces revolve round weather and price. Micro and precise weather forecasting can be one mitigation, another can be participating in forward markets or going in for contract farming. Finally, precise and efficient farm or crop insurance can greatly mitigate risk. The one area where action can be taken quickly and rewards reaped is water. Minor irrigation, watershed management (creating tanks and bandhs) to preserve rain runoff can be done prior to a rainy season with community participation. Further, the time has come for large-scale adoption of drip technology and sprinklers to lower the use of water. This requires investment for which a robust system of agricultural credit has to be in place. Lowering of interest rates for farm loans, as has already been done, and offering a subsidy for investment in water management can be taken forward. The last thing that should be done is waive farm loans which wreaks havoc on the agricultural credit system.

The agriculture sector can be made a profitable and sustainable sector if the government changes its current policy towards it. First and foremost, land reforms should be implemented by ensuring strict adherence to land ceiling laws and redistribution of excess land among landless. Tenants should be protected by registering them and providing security of tenure. Government procurement should be extended to a variety of produce with minimum support prices offered. The government should invest in bringing more land under irrigation and building infrastructure. Small farmers should be encouraged to develop alternative sources of income and the government should take up the responsibility for providing training to the farmers to acquire new skills. In drought affected areas, the government should start alternative employment generation programmes to reduce the dependence on agriculture as the sole source of income. It should connect farms to markets, so that perishable produce can be transported quickly. Credit facilities should be provided to farmers, with special attention to small and marginal farmers. Climate change and its impact on agriculture needs to be factored while making a sustainable policy on agriculture. For that agriculture research institutes should be funded well and agriculture extension services should be strengthened. It is argued that the consequence of agricultural crisis in India is very vast and likely to hit all the other sectors and the national economy in several ways. It will adversely affect the food supply, prices of foodgrains, cost of living, health and nutrition, poverty, employment, labour market, land loss from agriculture and foreign exchange earnings. In sum, it revealed that the agricultural crisis would be affecting a majority of the people in India and the economy as a whole in the long run. And therefore, it can be argued that the crisis in agriculture is a crisis of the country as a whole. The only remedy to the crisis is to do all that is possible to make agriculture a profitable enterprise and attract the farmers to continue the crop production activities. As an effort towards this direction, the government should augment its investment and expenditure in the farm sector. Investment in agriculture and its allied sectors, including irrigation, transport, communication, rural market, rural infrastructure and farm research, should be drastically increased, and the government should aim at integrated development of the rural areas.

#### References

- Balakrishnan, Pulapre. (2000), "Agriculture and Economic Reforms: Growth and Welfare", *Economic and Political Weekly*; 35 (12): 999-10004.
- Bhalla and Alagh (1979), "Performance of Indian Agriculture: A District wise Study" Sterling Publishers Pvt. Ltd. New Delhi
- Chand, R, Raju, S S and Pandey, L M (2007), "Growth Crisis in Agriculture Severity and Options at National and State Levels", *Economic and Political Weekly*, Vol.42, No.26 pp.2528.
- Desai, B M. (2002), "Policy Framework for Reorienting Agricultural Development" *Indian Journal of Agricultural Economics*, 57(1).
- Dhar, Biswajit and Murali Kallummal (2004): "Trade Liberalisation and Agriculture: Challenges Before India", *Agricultural statistics at a Glance*, Ministry of Agriculture.
- Dhas, Albert Christopher, 2009. "[Agricultural Crisis in India: The Root Cause and Consequences](#)," *MPRA*

Paper18930, University Library of Munich, Germany.

- Galab, Shaik and Reddy, Ratna (2006), “Agrarian crisis Looking Beyond Debt Trap” Economic and Political Weekly, pp.1838-42
- Government of India (2008), Economic Survey,
- Joshi, P K (2005), “Crop Diversification in India: Natter, Patterns and Drivers” Report prepared for Asian Development Bank.
- Madhavan, Renuka (2003), Productivity Growth in Indian Agriculture: The Role of Globalisation and Economic Reform, Asia Pacific Development Journal, Vol. 20, No.2, pp,57-72.
- Mishra S (2007), “Risks, Farmers” Suicides and Agrarian Crisis in India: Is There A Way Out?” WP-2007-0014, Indira Gandhi Institute of Development Research, Mumbai.
- Patnaik, U (2005), “The Agrarian Crisis and Importance of Peasant Resistance” www.macrosan.com
- Rao, P P, Birthal P S, Joshi, P K and Kar, D(2004), “Agriculture Diversification in India and Role of Urbanisation, Markets, Trade and Institutions Division discussion paper 77
- Reddy, D.N. (2006) “Economic Reforms, Agrarian Crisis and Rural Stress in India”, Mimeo, Hyderabad
- Singh, I.J; K.N. Rai and J.C Karwasrea(1997)” Regional Variations in Agricultural Performance in India”. Indian Journal of Agricultural Economics, 52(3): 374-386.
- Suri, K.C (2006), “Political Economy of Agrarian Distress” Economic and Political Weekly, pp. 1523-29
- Thamarajakshi, S (1999): Agriculture and Economic Reforms”, Economic and Political Weekly, 35, 2293-5.
- Vaidyanathan, A (1994), “Performance of Indian Agriculture sine Independence” in Koushik Basu (ed), Agrarian Questions, Oxford University Press, New Delhi.
- Vaidyanthan, A.K (2006). “Farmers” Suicides and the Agrarian Crisis,” Economic and Political Weekly, 41 (38), 4009-4013.

