

*M.Phil Dissertation*

**Topic**

*“Globalization and Agrarian Crisis In India: A Study of  
Farmer’s Suicides In Andhra Pradesh.”*

**Dissertation Submitted To The Jawaharlal Nehru University in  
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**CERTIFICATE**

This is to certify that the dissertation entitled "GLOBALIZATION AND AGRARIAN CRISIS IN INDIA: A STUDY OF FARMER'S SUICIDES IN ANDHRA PRADESH", submitted by Miss. Malvika Singh in partial fulfillment of the requirements for the award of the Degree of Master of Philosophy, has not been previously submitted for any degree of this or any other university and this is her own work.

We recommend that dissertation may be placed before the examiners for evaluation.

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**WITH LOVE TO MY**

*Amma (whose blessings are always with me)*

**AND**

*Dadaji (Who is a role model to me).*

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## **INTRODUCTION:**

The last few years have heralded the process of globalization, economic liberalization and global economic integration of the Indian economy. The completion of the Uruguay Round of trade negotiation since April 1994 has further raised many issues regarding India's participation in world trade in future, its integration with the world economy and the likely costs and benefits from this integration.

As a process global economic integration started with the flourishing of international trade, which heralded the dawn of capitalism accompanied by liberal democracies, industrial revolution and later colonialism. In the Post Second World War years and after since the 1970s, Globalization become very accelerated in its integrative drive. Global economy began to integrate in a major way with signing of bilateral and multilateral trade agreements between nations. The world financial institutions like the IMF, the WB emerged as key where economic decisions for the world are taken. However the re-distributory aspects of the Globalization remains very unequal because it works on the principles of a free market. The IMF, the WB, the WTO the want the developing countries to replicate the model of 'free market' and restructure the economics accordingly.

## ROLE OF THE STATE: In Context of Agrarian Sector

<u>Input's side</u>		<u>Output's side/ Post Harvest</u>		
a	land	Put in Process	a.	M.S.P.
b	labour		b.	Procurement Price
c	Fertilizer		c.	Transportation
d	Irrigation etc.		d.	Storage
			e.	Market/ Prices.

The above description shows the role of the state which is very crucial in the agrarian sector India, be it at the time of production of the crop on the inputs side or at the time of harvest, even post harvest. This role of the state being important has been declining since past few years on both sides (inputs and outputs) thus resulting into the deepening of distress in agriculture sector.

All the above mentioned inputs and post harvest requirements require a strong presence and strong support of state due to fragile nature of Indian agriculture and peasant.

### I. Economic Reforms In Agriculture:

"Liberal economic policies in the field of agriculture, more than draught have resulted in crisis in agriculture and a deep churning in the peasant community."

- A. "Drought" is the favourite explanation of do nothing politicians in the face of mass deprivation and death by starvation or suicide. But

the fact that suicides have been reported from even the better irrigated districts have exposed the argument that scarcity of water; in a vague and generally deceptive sense, is responsible for farmers distress. The policies that have come to govern the peasant economy have made the peasant unable to cope with even mild shocks in production and his plight is aggravated by the "State abdicating its role", particularly in extending institutional credit and framing meaningful policies and programmes.

B. Agrarian Community in India is in the grip of a predatory commercialization of agriculture. The 'withdrawal of the state', either as a facilitator or as a provider of input, extension services or credit has been the key element of the pernicious policies that have worked for the peasant economy, of course, the 'withdrawal' has not happened accidentally. The crisis in agriculture has affected all sections of peasantry particularly after the "rolling back of the state."

C. There are several factors that have come into existence just during the economic reforms period. And the major factors have been two fold:

One : from the side of inputs costs, we find that the economic reform policies have led to a phenomenal rise in input costs. Fertilizer subsidies have been removed, the supply of fertilizers have been handed over to private agents and in some parts of the country to MNCs and the



government has withdrawn from this. Also in some parts of the country, some steps, such as power tariff hike has been taken to please the leading agencies such as IMF.

Second: The cost of agricultural credit has increased enormously. The treatment of agriculture and the small industries as priority sectors for lending at low costs interest rates from the banking system has been given up. Perhaps, farmers have been forced to turn more to private moneylenders who obviously charge high rates of interest and are much more flexible in rolling over of debts than an institutional lender.

D. On the output side, trade liberalization has played a role.

Example : In the 1990s, global prices of commercial crops, including rubber and cotton were rising, in response to that, since the government's policy also was to increase exports from the agriculture sector as far as possible, unregulated import of raw cotton was allowed. This was the period from roughly 1990 to 1995-96 when many thousands of farmers were switching from food crops to cotton as the world prices were rising. They had gone for cotton cultivation expecting high profits. There was sudden expansion of area under cotton, these farmers could not afford to do so, expect on the basis of credit. They took loans and the amount of loans they took to produce cotton was much higher than they had taken in the past, as they would have grown rain-fed food crops on the same land, which would not have cost much for production. So the switch to an exportable commercial crop led to a scenario of rising indebtedness.

However, when the government withdraws from pesticide and fertilizers subsidy and takes up extension services under the dogma of letting the free market have its way leading to agrarian distress. No regulation or over seeing of the quality of the inputs has been taken place. But the real time when things started going wrong was when the output was not as expected.

So, there was a scenario where farmers had gone for a heavy level of indebtedness and had been forced to do so by private money-lenders at a high cost due to withdrawal of low cost institutional lending. At the same time input prices went up and output prices crashed. This is a readymade scenario for agrarian distress.

E. Therefore, all these factors are directly related to economic reform policies and trade liberalization.

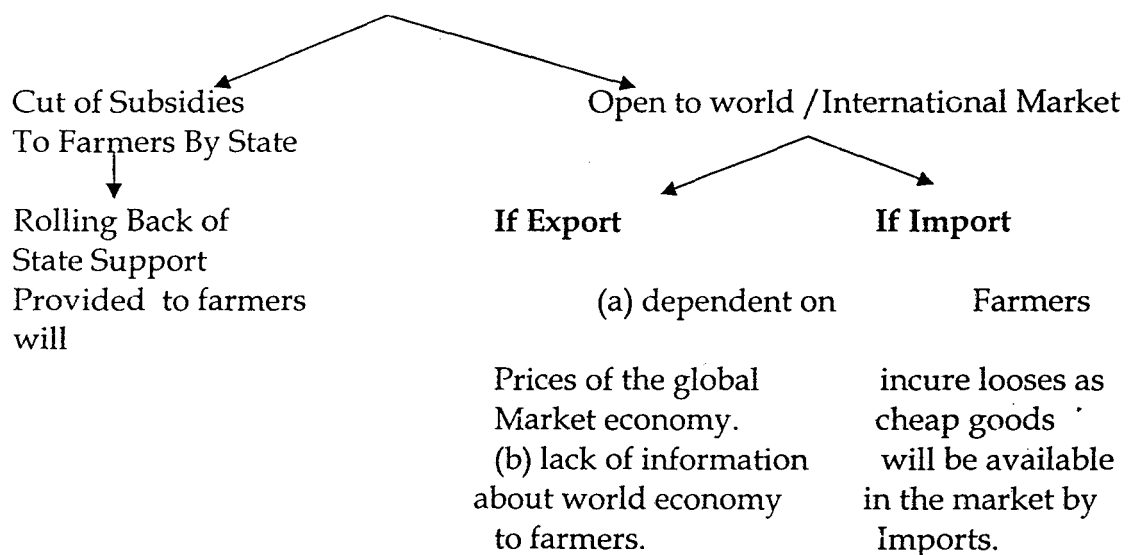
The government did not intervene with any valorization programmes or with any programme of such, e.g. of buying cotton at a fair price from farmers. It could have done so but it was operating with the dogma of leaving everything to the free market.

There was a steep fall in the availability of institutional credit, seeds, fertilizers etc. Till the early 1990s, these sections were not out of the ambit of the state. In institutional credit that includes not only banking sector but the cooperative societies as well. Available resources shows that what proportion of banking credit has been going to the several areas there appears to do be a

sharp fall. The number of beneficiaries like the IRDP in the 1990s have come down sharply.

The entire gamut of policies that has led to the withdrawal of the state, leaving anything to free market has been completely disastrous, seed and fertilizers cost have gone up, all input costs have got up and the farmers has virtually no protection from falling prices of their output.

## II. How Indian Farmers Are Getting Affected By Economic Liberalization and Globalization.



- A. Opening up of the agricultural sector to trade will make the Indian produces vulnerable to price fluctuations that take place in the world market. They will face competition from agricultural imports, which India has to allow under the market access commitments (WTO). Reduction and withdrawal of domestic subsidies will increase costs for the farmers. Reduction and withdrawal of export subsidies makes conditions harder for the

Indian growers to survive in the years in which international prices are low.

- B. Cost of production will rise as the government withdraws input subsidies, imports will lower domestic prices, while withdrawal of export subsidies may make exports unprofitable.
- C. So far the 'Indian agricultural sector, was insulated from fluctuations in the world market. The prices of agricultural commodities in Indian markets had been steady because of this, with trade liberalization Indian prices are expected to show movements similar to those in the international market. As a result, Indian producers will be vulnerable to price fluctuations in the international market.
- D. World Prices: Many developing countries are opening their agricultural sector to trade in International Market. So far the commodities those countries export one may witness huge stocks up for sale in international market. Prices of these commodities are expected to go down as a consequence.

### **III. Research Issues:**

The present study focuses on some of the crucial research questions about the idea of globalization and trade liberalization unfolded with the advent of economic reforms in India since 1991 and their effect on Indian

agriculture. The main concerns and objectives of the study are the following:

- A. To examine the conditions of Indian Agriculture before liberalization of the economy and the role of the state and its relationship with agriculture sector.
- B. To review and analyse the change in the role of the Indian state, during the Era of Globalization, Structural Adjustment Program (SAP), since 1991 and their implication for agrarian India.
- C. To study the effect of Globalization of the economy and changes in agricultural policy.
- D. Brief Case Study of Farmer's Suicides in India - particularly in Andhra Pradesh.
- E. Suggested Changes to cure the agricultural distress.

#### **IV. Methodology:**

The study undertaken is based on secondary data. A desk review of all the available literature is done extensively, including books, journals, magazines, sources conducted by ministries, use of interest and other secondary sources.

## CHAPTER-I

### IMPORTANCE OF AGRICULTURE IN NATIONAL ECONOMY.

Agriculture is the most important sector of the Indian economy from the perspective of overall economic welfare in general and poverty alleviation and employment generation in particular. Agriculture accounts for about 25 percent of India's national income. The share of agriculture in national income has been declining from 50.5 percent in 1950-51 to 52.1 per cent an 1960-61, 45.7 percent in 1970-71, 24.1 percent in 2000-01.<sup>1</sup>

**A. Agriculture as a source of Employment:** While the share of agriculture in national income has been declining the workforce engaged in agriculture has exhibited only by a marginal decline. Data provided by the census of India reveals that whereas in 1961, 75.9 percent of total workforce was engaged in agriculture, in 1981 the percentage was 69 and further fall to 63.8 in 1993-94 and 59.9 percent in 1999-2000.

**B. Linkage between Agriculture and other sectors:** The linkages between agriculture and industrial sectors, widely recognized in literature, focus on the role of agriculture as (i) supplier of wage goods to the industrial sector, (iii) Provider of raw materials to agro-based industries, and (iii) generator of agricultural income that enables rural demand for industrial products to take place.<sup>2</sup>

Empirical tests show that a unit increase in agricultural output would have a positive effect on both industrial production and national income.

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<sup>1</sup> Central Statistical Organization, 2004.

<sup>2</sup> Bhalla G.S. and Tyagi G.S., 1989, "Patterns in Indian Agricultural Development-A district level study (New Delhi: Institute for studies in Industrial Development).

Rangarajan (1982) estimated that a one percent increase in agricultural output tends to raise industrial production by 0.5 percent and augment national income by 0.7 percent. The experience in the eighties and nineties also lends support to this. During the eighties the trend growth rate of 3.2 percent in agricultural production approach have contributed to accelerate industrial production. The decelerated growth rate in agricultural production seems to have impacted on growth of industrial production in the nineties.<sup>3</sup>

Importance of agriculture in the national economy is indicated by many facts. For example, agriculture is the main support for India's transport system, since railways and roadways secure bulk of their business from the movement of agricultural goods. Internal trades are mostly in agricultural products. Agricultural growth has direct impact poverty eradication, containing inflation raising agricultural wages, employment generation.

#### **CHANGING CONTOURS OF INDIAN AGRICULTURE:**

The post Independence decades have witnessed a veritable transformation in Indian agriculture. What is most readily noticed is the increase in agricultural production, particularly the nearly four-fold rise in production of food grains which saved the country from one of the gravest crisis it faced after independence.

On the other hand and paradoxically, despite the good performance of agriculture, the survival communities in India have poor development indicators.

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<sup>3</sup> . C. Rangarajan, 'The New Economic Policy and the role of the State', 1996.

The development indicators for the rural communities given below are from a recent large-scale survey conducted by National Council of Applied Economic Research.

- ❖ About half the population of rural India is illiterate and suffers from 'capability poverty.' About 40 percent have extremely low incomes.
- ❖ Over 50 percent of Indian population is still vulnerable and cannot afford the cost of education and health care.
- ❖ National policies and programmes during the last half a century have not helped the SCs and STs to emerge from the perennial poverty trap.
- ❖ 63 percent of villages do not have pucca connecting roads. In some states this is tune of over 80 percent of villages.
- ❖ About one-half of all villages in India do not have any sources of protected drinking water.
- ❖ Overall 88 percent of all villages in rural India have a primary school within the village but about a quarter of villages in U.P., Himachal Pradesh and Orissa do not have even primary schools. Given the relatively poor transport network in these states, implementing the goal of universal primary education in these states seems remote.
- ❖ Only about 22 percent of all villages have a health care-centre within the village.<sup>4</sup>

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<sup>4</sup> Central Statistical Organisation, 2004.



## **AGRICULTURAL DEVELOPMENT ESSENTIAL FOR ECONOMIC GROWTH:**

The significance of agriculture in India arises also from the fact that the development in agriculture is an essential condition for the development of the national economy.

Sir Ragnar Nurkse argues that the surplus population in agriculture should be shifted to the newly started industries, Nurkse's thesis is that agricultural productivity will be increased on the one hand and on the other new industrial units would be set up with the use of surplus labour.

The Nurksian thesis, though widely welcomed at one time, has been questioned recently. First, industrialization does not consist only of transference of workers from agriculture to industries. Industrialization acquires a particular set of motives and values, which an agricultural economy cannot supply. A change in agriculture itself is essential before such motivation and values evolved.

Secondly, the marketable agricultural surplus will have to be increased considerably to feed the growing urban population and to provide raw materials to industries.

Thirdly, the new industries and the fast growing services sector however fast they may develop will not be able to provide adequate employment for the ever-growing millions in India. There is a limit to the capacity of employment in industries in the short period. Necessarily, therefore increased employment will have to be found not in the new

industries, but in agriculture or in rural industries. This will then, necessitate improvement in agriculture.

In other words, general economic development will require rapid agricultural development either to proceed or to go hand in hand with it. Indian planners learnt a bitter lesson during the second and Third five year plan period and in recent years, during 2002-03, for example with the failure of the planning process. Thus, any change in the agricultural sector – positive or negative – has a multiplier effect on the entire economy. The agricultural sector acts as a bulwark in maintaining food security and in the process, national security as well. To maintain the ecological balance, there is need for sustainable and balanced development of the agriculture and allied sectors. Recognizing the crucial role played by this sector in enabling the widest dispersal of economic benefits, the Tenth Plan has emphasized that agricultural development is central to rapid economic development of the country.

The various weaknesses of the agricultural sector mentioned indicate the main concern for rising agriculture distress. Outlining strategies of agricultural development, the Planning Commission observed:

“Broadening the base of agricultural growth and modernization through infrastructure development e.g., irrigation, drainage, roads, markets and credit institutions in the less developed regions, extension of new technology, particularly break-through in dry-land farming, a forestation and appropriate price and procurement policies for crops are essential for accelerating the growth of agricultural output, reducing annual fluctuations

in output and for correcting inter-regional - intercrop and inter-class disparities. Such a pattern of growth can also provide the necessary impetus to rural development through the dispersal of agro-industries. This is how agriculture can contribute more effectively to the fulfillment of the national objectives of self-reliance, removal of poverty, increase in productivity and eco-preservation.”<sup>5</sup>

#### **NEW AGRICULTURAL STRATEGY AND GREEN REVOLUTION:**

Since the mid-1960s, the traditional agricultural practices are gradually being replaced by modern technology and farm practices in India and a veritable revolution is taking place in our country. Initially the new technology was tried in 1960-61 as a pilot project in seven districts and was called Intensive Agricultural District Programme (IADP). Later, the high-yielding varieties programme (HYVP) was also added and strategy was extended to cover the entire country. This strategy has been called by various names: modern agricultural technology, seed-fertilizers-water technology or simply green revolution.

As a result of the new agricultural strategy, area under improved seeds has gone up from about 15 million hectares during 1970-71 to nearly 75 million hectares in 1998-2000. The new varieties are of a short-term duration and consequently, instead of growing one crop, two crops and some times, even three crops are grown. In the case of wheat, unprecedented enthusiasm has prevailed among farmers in Punjab, Haryana, Delhi, Rajasthan and Western U.P. for the new Mexican varieties like Leuma Rajo, Somara-64,

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<sup>5</sup> Planning Commission, Ninth Five year Plan (1997-20002), Vol. II, Chapter 4, Economic Survey, 2002), Vol.II, Chapter 4. Economic Survey, 2002-03.

Kalyan and P.V. 18 and a situation developed in which the demand for seeds by the farmers exceeded the supply. But in the case of rice, the new varieties like T.N.1, IR-8, Jenin-3 and ADT-17 which were tried and found successful on a laboratory scale could not be successfully applied on the field. Some breakthrough, however, has been achieved in rice by developing better and more acceptable varieties like IR-8.

Traditional agriculture relies heavily on indigenous inputs such as the use of organic manures, seeds, simple ploughs and other primitive agricultural tools, bullocks etc. Modern technology, on the other hand, consists of chemical fertilizers, pesticides, improved varieties of seeds including hybrid seeds agricultural machinery, extensive irrigation, electric power etc.

Since 1966, the use of modern agricultural inputs has increased at a compound rate of 10 percent per annum in contrast to the traditional inputs rising at the rate of only one percent per annum during the same period.

#### **THE CASE FOR NEW STRATEGY:**

The advocates of the new strategy considered the intensive approach as the only means of making a breakthrough in Indian agriculture in the shortest possible time.

Agricultural inputs were scarce and it was not possible to meet the needs of the entire country in this respect. The choice was to have either a thin spread of the inputs over the entire country or to apply concentrated doses in selected and promising areas. Besides, the urgent problem in the 1960s was to make the country self-sufficient in the shortest possible time.

It was further held that the application of high doses would be accompanied by increasing returns and consequently, application could be justified on economic grounds.

Large scale demonstration of better cultivation in actual field conditions would induce farmers in other areas to adopt improved techniques. Thus, the intensive development programme would set in motion a beneficent cycle. In this way, the spread effect of the programme would raise overall level of productivity in Indian agriculture.

Lastly increased agricultural production in a certain region would produce secondary and territory effects. For instance, the availability of more food in the country would decrease our dependence on food imports and thereby release scarce foreign exchange resources for other sections of the economy. Similarly increased production of commercial crops would lead to the expansion of agro-based industries.

#### **WEAKNESSES OF THE NEW STRATEGY**

The new agricultural technology has made the farmer market-oriented. The farmers are largely dependent on the market for the supply of inputs and for the demand for their output. At the same time, the demand for agricultural credit has also increased as the new technology has increased the cash requirements of the farmer.

Besides, the modern technology has definitely proved its superiority over the traditional technology only in those areas where appropriate conditions prevail. But as mentioned above, these conditions prevail only in certain selected areas and the rest of the country is not yet suitable for

advanced technology. What is therefore, wanted is the evolution of a low-cost technology which can be adopted by all small farmers and which can use and exploit the local resources.

#### **A. Indian Agriculture Still a Gamble In the Monsoon: -**

When the new agricultural policy/strategy was introduced in the early 1960s it was hoped that the trend of rising output of food grains would continue. The then record achievement of 108 million tonnes of foodgrains in 1970-71 was hailed that green revolution had materialized and imports were immediately almost stopped and reduced drastically.

The euphoria was cut short in 1972-73 when production of food grains slumped to 95 million tones. Sharp fluctuations in food grains output were observed in the later years, from a low level of about 100 million tones in 1974-75, food grains output rose gradually to 132 million tones in 1978-79. There was a steep decline in production in the next year due to adverse weather conditions; foodgrains output in that year was 109 million tones, which was almost the same as 1970-71 outputs.

After many fluctuations the output of foodgrains rose to 176 million tones in 1990-91 and touched 213 million tones in 2001-02. On account of extensive drought conditions, the output of foodgrains declined steeply to 174 million tones during 2002-03 (decline of 39 million tones) as compared to the previous year.

**TABLE I: Trend in the production of Food grains in India:**

(Million tones)

Year	Production	Year	Production
1970-71	108	1990-91	176
1972-73	95	2001-02	213
1978-79	132	2002-03	174
1979-80	108		

Source: Economic Survey (various issues)

Two conclusions can be drawn from the sharp fluctuations of output of food production in India since the introduction of new agriculture strategy:

- (a) Output of cereals is still subject to weather and climatic conditions as in the past.
- (b) The maximum and minimum total outputs however, are now much higher, more than in the past.

#### **B. Growth of Capitalistic Farming In Indian Agriculture**

The new agricultural strategy consisting of IADP and HYVP necessitated heavy investment in seeds, fertilizers, pesticides and water. These heavy investments are beyond the capacity of small and medium farmers. In India there are about 81 million-farm households but only 6 percent of the big farmers account for 40 percent of the land.; they alone are making heavy investment in the installation of tube-wells, pumping sets, fertilizers and agricultural machinery required for this purpose.

Consequently, the new agricultural strategy has helped the growth of capitalist farming in India and has led to concentration of wealth in the hands of the top 10 percent of the rural population. The poor peasants have not directly benefited from green revolution.

Ashok Rudra, Majid and Talib conducted a study of the farmers in Punjab so as to analyse capitalist farming. They defined capitalist farmers as those who have at least 20 acres of land. The study revealed that the total number of farms above 20 acres was 67, 000 covering over 26 lakh acres of cultivated area. There is evidence of the growth of gentlemen farmers, comprising of ex-servicemen during their income from industry and commerce and who have recently taken up agriculture as an industry.<sup>6</sup>

It is this group of farmers who are able to make huge investments in the form of tractors, tube-wells, pumping sets and other equipment. The vast majority of rural households with little or no land, with poor finances and poor credit worthiness have not gone in for the new technology in a big way and have benefited the least from the green revolution.

Regions which have been well endowed with resources (like Punjab, Haryana and Western U.P.) have benefited the most from the use of modern technology and have prospered, other regions have remained backward and under developed. Regional disparities have thus increased.

### **C. Side-tracking the need for Institutional Reforms in Indian Agriculture:**

The new strategy does not recognize the need for institutional reforms in agriculture. The bulk of the peasant population does not enjoy ownership rights. Besides, we have failed to provide even fixity of tenure and large-scale evictions have already taken place. As a result the tenants are being forced to accept the position of share croppers.

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<sup>6</sup> Rudra 1967, Chakravarty 1974, Raj 1976.



Minhas and Srinivasan studied the effects of crop sharing arrangements in fertilizer use.<sup>7</sup> Their basic assumption was that the cost of fertilizers was met by the cultivator by borrowing and interest charges amounted to 10 percent of the cost. Basing their judgment on the capitalist principle of profit maximization, the owner-farmers reaped a profit of 180 percent on irrigated lands in the case of wheat and 183 percent in the case of rice.

Against this, the tenant cultivators on a 50 percent basis reaped a profit of only 65 percent in wheat and 67 percent in rice. The return was further reduced to the level of 42 percent in the case of share cropping on a 40 percent basis.

Profit maximization criterion clearly indicates that larger dosages of fertilizers will be absorbed by owner farmers than by tenants. Thus, the conclusion is inescapable, the tenancy cultivation poses itself as a big obstruction in the way of fertilizers use.

#### **D. Widening Disparities In Income:**

Technological changes in agriculture have had adverse effects on the distribution of income in rural areas. From the study of technological changes and distribution of gains in Indian agriculture, C.H. Hanumantha Rao concluded: Technological changes have contributed to widening the disparities in income between landowners on the one hand and landless labourers and tenants on the other. In absolute terms, however, the gains from technological change have been shared by all sections. This is indicated by the

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<sup>7</sup>. Minhas and Srinivasan: New Challenges before Indian Agriculture.

rise in real wages and employment and in incomes of small farmers in regions experiencing technological change.<sup>8</sup>

**E. New-Strategy and Socio-economic relations, in Rural Areas:**

Francine Frankel, USAID experts undertook a study of the impact of the new strategy on the socio-economic relations of the peasantry.<sup>9</sup>

- TH-13171
- (a) Overwhelming majority of the cultivators having uneconomic holding of 2-3 acres have managed to increase per acre field from the application of small doses of fertilizers but aggregate gains in output have been insufficient to create capital surplus for investment in land development.
  - (b) Often small and marginal farmers are forced to take some land on lease; in some cases they are pure tenants. Rising rentals in recent years (in response to the sharp spurt in land values) and /or the tendency of landowners to resume land for personal cultivation (with the introduction of more profitable techniques), has actually led to an absolute deterioration in the economic conditions of the small owner-cum-tenant cultivator class.
  - (c) Only the small minority of cultivators with holdings of ten acres or more have been in a position to mobilize surplus capital for investment in land development especially minor irrigation, as an essential pre-condition for the efficient utilization of modern inputs.

Moreover, this class has prided its gains by using increased profits

<sup>8</sup> C.H. Hanumantha Rao: Technological Change and Distribution of Gains in Indian Agriculture (1975), p.178.

<sup>9</sup> Francine Frankel : 'Indias' Green Revolution : Economic Gains and Political Costs,' Princeton, 1972, Page-87-90.

to buy more land, improve land already under cultivation and purchase modern equipment.

- (d) Farmers with twenty acres or more have made the greatest gains, partly by mechanising farm operations to take up double or multiple cropping and partly by diversifying their cropping pattern to include more profitable commercial crops.
- (e) The majority of farmers – probably as many as 75 percent to 89 percent in the rice belt- have experienced a relative decline in their economic position and same proportion, representing unprotected tenants cultivating under oral lease, have suffered an absolute deterioration in their living standards.

U. Thant, a former UN Secretary General warned developing countries: "There are many observers who content that if left to market forces, the green revolution is likely to benefit primarily those farmers who are already engaged in commercial production rather than subsistence farmers and among commercial farmers; big ones more than small producers."<sup>10</sup>

U Thant impressed upon the developing countries the urgent necessity to push through land reforms and bring about relative equality of land ownership.

The need for modifying policies focusing special attention on small farmers and backward regions is evident.

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<sup>10</sup> U. Thant; UNDP, Human Development Report 1994 and EPW Research Foundation, Three races of Economic Reforms in India: A Critical Assessment, 1994 April.

In the words of Dr. V.K, R.V. Rao: It is now well known that the so - called green revolution which helped the country to raise its output of food grains has also been accompanied by a widening of the range of inequality in rural incomes, the loss of their status as tenants by a number of small farmers and emergence of social and economic tensions in the countryside....the challenge which Indian agriculture faces is not only of production but also that of distribution and in our anxiety to concentrate on production problems, we should not forget the human and social implications of agricultural development"<sup>11</sup> Land reforms are therefore, unavoidable, D.P. Chaudhri concludes his survey of green revolution: "Land reforms with appropriate changes in the capital market and rural institutions would make possible maximization of output and productivity growth completely consistent with reduction of inequalities of income distribution"<sup>12</sup>

#### **NATIONAL AGRICULTURAL POLICY (2000)**

The National Agricultural Policy (2000) was presented in the parliament on July 28, 2000. The policy has been necessitated due to the relatively poor growth of agriculture during the nineties.

The Policy document stated: "Capital in-adequacy, lack of infrastructural support and demand side constraints such as control on movement, storage and sale of agricultural products, etc., have continued to

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<sup>11</sup> . V.K.R.V. Rao: "New Challenges before Indian Agriculture", Panse Memorial Lecture (April 1994).

<sup>12</sup> . D.P. Chaudhri in Agrarian Reform and Agrarian Reformism, Page 169.

affect the economic viability of agriculture sector. Consequently, growth has also tended to slacken during the nineties.”<sup>13</sup>

The establishment of an agrarian economy which ensures food and nutrition to India’s billion people, raw materials for its expanding industrial base and surplus for exports and a fast and equitable reward system for the farming community for the services they provide to the society, will be the mainstay of reforms in the agricultural sector. Thus, the National Agricultural Policy aims to attain the following objectives:

- (a) A growth rate of over 4 percent per annum in the agriculture sector.
- (b) Growth that is based on efficient use of resources and consumes our soil, water and bio-diversity.
- (c) Growth with equity i.e., growth which is wide spread across regions and farmers.
- (d) Growth that is demand-driven and caters to domestic market and maximizes benefits from exports of agricultural products in the face of challenges from economic liberalization and globalization.
- (e) Growth that is sustainable technology, environmentally.

Therefore, the policy will seek to promote technically sound, economically viable, environmentally non-degrading, and socially acceptable use of country’s natural resources to promote sustainable agriculture. Secondly, special efforts will be made to raise the productivity and production of crops to meet the demand for food generated by growing

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<sup>13</sup>. Ministry of Agriculture, National Agricultural Policy. Govt. of India. 2003.

population pressure and raw materials for expanding agro-based industries. The government will encourage application by biotechnology, remote sensing technologies etc.

The government will make efforts to improve the terms of trade for agriculture with manufacturing sector. Consequent upon removal of quantitative restrictions on inputs as per WTO Agreement on Agriculture, in order to protect the interest of farmers, continuous monitoring of international prices will be undertaken and appropriate tariff protection will be provided.

The structure of taxes on foodgrains, other commercial crops and excise duty on farm machinery and implements, fertilizers etc. will be remained and rationalized. Elaborating on this issue, Agriculture Minister made it clear that the Government will keep agriculture outside the preview of taxes and the present regime of agricultural subsidies will be continued.

The policy statement accepts the charge that there has been a decline in public sector investment in the agriculture sector. Public investment for narrowing regional imbalances and accelerating development of supportive infrastructure will be stepped up.

Besides this, private sector investment in agriculture will also be encouraged, more particularly areas, like agricultural research; human resource development etc.

The National Agriculture Policy envisages, National Agriculture Insurance scheme covering all farmers and all crops through out the country. Efforts are being made to provide a package-insurance policy for the farmers,

right from sowing of the crops to post-harvest operations, including market fluctuations in the prices of agricultural produce.

#### **Assessment of the New Agricultural Policy:-**

The New Agricultural Policy promises Green Revolution, white Revolution (pertaining to milk and dairy products) and Blue Revolution (pertaining to actual fish culture). It has therefore, been described as a policy of promising Rainbow Revolution.

#### **Rainbow Revolution:**

- Over 4 percent annual growth rate in agriculture.
- Greater Private sector participation through contract farming.
- Price Protection for farmers.
- National Agriculture Insurance Scheme to be launched for all farmers and all crops.
- Dismantling of restrictions on movement of agricultural commodities throughout the country.

In view of the stark reality that the index of agricultural production which was 175.7 million tones in 1995-96 was more or less stable in the succeeding years (except when it declined steeply to 165 in 1997-98) and also in view of the fact that food grains production which was 199.4 million tones in 1996-97 is estimated to be 209 million tones in 1999-2000, the very optimistic pictures presented in the New Agriculture Policy appears to be mere frothy tall talk.

There has been a virtual stagnation in Indian agriculture during the latter half of the nineties. To speak of 4 percent growth during the next two

decades appears to be wishful thinking more so in view of the fact that the new policies under economic reforms have neglected agricultural completely.

During the nineties, the growth rate of agricultural production averaged 2.1 percent and that of foodgrains production averaged 1.8 percent per annum which was just equal to the growth rate of population, we have, therefore been able to attain food self-sufficiency without ending 'hunger' in the country. It is equally time that goals of food security for all still appears to be a distinct dream.

There is no doubt that the 4 percent growth of agricultural production is very necessary but the basic question is that but for making certain platitudinous statements, the New Agriculture Policy does not specify in quantitative terms the targets so that the objective can be achieved.

Secondly, the New Agricultural Policy does talk of growth with equity meaning thereby wide spread coverage across regions, but fails to identify the states, which have lagged behind in the utilization of their agricultural potential. It would have been far better had the policy recommended a special package in the form of development in infrastructure in these states so that the process of rapid agricultural growth could be accelerated in them. This appears to be a serious shortcoming of the policy.

Thirdly, the policy speaks of encouraging private investment in agriculture. There is no doubt that private investment in the form of tube wells, agricultural implements; human resource development etc. does help big farmers to improve their levels of productivity.



But the small farmers who constitute the bulk of Indian farming community are unable to undertake private investment effectively to boost their productivity. They have to depend more and more on public investment, which has been declining over the years.

Moreover, in backward states where the bulk of the peasantry is poor, public investment alone can provide a big push to agriculture. The New Agricultural Policy does not make any serious commitment in this regard.

Fourthly, New Agricultural Policy intends to seek private sector participation through contract farming by land leasing arrangements, it intends to involve the corporate sector in this area. Contract farming is more sophisticated word to replace capitalist farming. The adoption of contract farming will result in contraction of employment and this is likely to come in conflict with the objective of enlarging employment. The wisdom of introducing contract farming and corporate sector in a labour surplus economy like India becomes questionable.

Lastly, the Government after making comprehensive recommendations in all areas of agricultural development has not authorized any machinery of implementation.

It has to be realized that agriculture in India is a state subject and the role of state government, which are the real implementing agencies of the various schemes, projects and programmes becomes critical.

In the absence of the blue print of the action and also in the absence of a package for agriculturally backward states, how shall the New Agricultural Policy entice the states to implement it, is another important question. This

shall enable the centre to institute a monitoring mechanism. In case this is not done, the policy will remain a statement of pious intentions.

#### **WEAKNESSES IN AGRICULTURAL PLANNING:**

Indian agriculture forms the backbone of the Indian economy and despite concerted industrialization in the last five decades; agriculture occupies a place of pride. Importance of agriculture in the national economy is imperative. For example, agriculture is the main support for internal trade, employment, and poverty eradication etc.

Despite all the progress made through the planning process. Indian agriculture has displayed certain basic weaknesses till today.

- A. The output of food grains in the country was still subject to considerable fluctuations due to uncertain rainfall in many parts of the country. Besides, even a good part of major irrigation was vulnerable to the vagaries of monsoons. The seventh and Eighth Plans sought to promote regional dispersal of output growth through:
  - (a) The expansion of assured irrigation in areas where the proportion of area irrigated was low;
  - (b) The development of dry-land farming where irrigation was either not possible or was uneconomical.
- B. Bulk of the increase in output particularly food grains had been concentrated in a few progressive regions which were already enjoying high levels of consumption of food grains. As a result, the marketable surplus of food grains had been rising at a high rate in

these states resulting in the accumulation of large stocks with the government, with the problems of storage and distribution and the cost of storage and distribution.

- C. Many regions had continued to be poor and backward, indicating the necessity for a balanced growth of agriculture as between different regions.
- D. Many classes of farmer's specially marginal and small farmers in the less developed areas were having low levels of income. They used very little of modern inputs. More financial assistance to these farmers and greater encouragement to them to use modern inputs would have good output response and rise of purchasing power of the rural poor.
- E. Indian agriculture displayed another type of imbalance in the form of disparities in growth between food grains. Parts of these inter-crop disparities in growth also reflected regional imbalance. For instance, a breakthrough in rice cultivation in the eastern region where per hectare field was low could bring about significant increase in rice production and remove imbalance in growth between different food grains. Likewise, a break through in dry-land farming would help to raise the output of millets, pulses and oilseeds and thus help to correct inter-crop imbalance.

Small and marginal farmers predominate in the dry-land farming regions and naturally, they will benefit most through water shed programmes and national pulse and oil seed development programmes.

F. Finally, a major area of concern was the tremendous growth of rural population, the continued extension of cultivated area and the adverse environmental effects of continued decline in area under forests because of denudation.

## CHAPTER-II

### STRUCTURAL ADJUSTMENTS IN INDIA AND ORIGIN OF ECONOMIC CRISIS

In the early 1990s, a major economic crisis surfaced in India. This crisis has generally been viewed as the worst that the country had experienced since Independence. Despite the bold official claims, it appears that the economic difficulties of that period are not yet over. The fiscal imbalances shall persist. The balance of payment situation remains precarious. The inflationary pressures are large. Agrarian economy is in severe distress. Nonetheless, the situation is much less unstable than it was years ago, over the past ten years the government has initiated a policy of macro economic stabilization and has introduced certain structural reforms. So far these policy measures have not shown any encouraging results and it seems too early to suggest whether in future they will deliver economic growth with equity.

After pursuing an inward looking development strategy with the state assuming an important role for more than four decades, India decided to take a historic step of changing tracks in 1991. It embarked on a comprehensive reform of the economy to widen and deepen its integration with the world economy as a part of structural adjustment. There seems to be a general consensus on the desirability of reforms to dismantle the bureaucratic regulatory apparatus evolved over the years that may have authorized its utility. However, there has been considerable debate on the contents of the

reform package, their sequencing and the pace, their implementation and their impact.

The problems of the economic crisis in India can directly be attributable to the macro management of the economy during the 1980s which led to large and persistent macro economic imbalances. The strategy of development, notwithstanding its limitation cannot be blamed for this crisis. The widening gap between the revenue and the expenditure of the government resulted in growing fiscal deficits which had to be met by borrowing at home.

Further, the steadily growing difference between the income and expenditure of the economy as a whole resulted in large current account deficits in the balance of payments, which were financed by borrowing from abroad.

According to Deepak Nayar,

“The internal imbalance in the fiscal situation and the external imbalance in the payments situation were closely related, through the absence of prudence in the macro management of the economy. The macroeconomics of this relationship can be reduced to a simple proposition: export, the current account deficit in an economy is the sum of : (a) the deference between investment and saving in the private sector and (b) the difference between expenditure and income of the government sector<sup>1</sup>”.

This was however, not appreciated particularly during the 1980s and in an attempt to live beyond means, the economy was pushed into a deep economic crisis.

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<sup>1</sup> Deepak Nayar, “Indian Economy at the Crossroads –Illusions and Realities”, Economic and Political Weekly, April 10, 1993.

After a period of relatively robust economic performance in the late 1980s, the Indian economy entered into a period of unprecedented liquidity crisis during 1990-91. This crisis was a combined effect of a number of coinciding developments. These included the collapse of the Soviet Union that had emerged as India's major trading partner. The Gulf war that erupted in January 1991 worsened the balance of payments crisis not only with rising oil prices but also by causing a virtual stoppage of remittances from Indian workers in the Gulf.

These events coupled with political uncertainty prevailing in the country led international credit relating agencies to lower India's rating both for short and long term borrowings. The erosion of international confidence in the Indian economy not only made the borrowings in international markets difficult but also led to an outflow of deposits of non resident Indians with Indian banks. These developments together brought the country to the verge of default with respect to external payments liability which could be averted by resorting to borrowings from the IMF under the stand by arrangements and by mortgaging gold to the Bank of England. This was complemented by emergency measures to restrict imports.

Structural reforms were broadly in the area of industrial licensing and regulation, foreign trade and investment and financial sectors. There is considerable unanimity among the scholars about the need to reduce and as far as possible eliminate barriers to the entry and expansion of firms.

Apart from unilateral measures, the liberalization of India's trade policies also reflects the multilateral commitments of the country to the World Trade Organisations (WTO).

The focus of these reforms has been on liberalization, openness, transparency and globalization with a basic thrust on outward orientation focusing on export promotion activity and improving competitiveness of Indian industry to meet global market requirements.

### **AN APPRAISAL OF ECONOMIC REFORMS**

Since July 1991 the government has undertaken both stabilization programmes and structural reforms as two components of the economic reform package. There is new considerable evidence to suggest that the avowed objectives of the stabilization and structural reforms programmes have been achieved only partly and very lowly. At present the annual rate of inflation is around 2.5 percent which is likely to increase in the coming years. Fiscal imbalances have not been corrected and the gross fiscal deficit of the central government alone was as high as 5 percent of the GDP in 1999-2000.

In the real sectors, the structural reforms have started showing very minute results like in agriculture (only after introduction of National Agriculture Policy, 2000). However, the economic reforms have been subjected to various criticisms:

The Economic and Political Weekly Research Foundation has pointed out that "the new economic policy is seriously flawed in conception in its



contents, strategy and approach and in many other respects.”<sup>2</sup> The short comings can be broadly classified under five major, categories: these limitations are inter related and together expose the inherent flaws in the stabilization and structural reforms measures undertaken so far:

**A. Absence of a broader development strategy:-**

The focus of both macro economic stabilization and structural reforms is to create a competitive environment in economy in which entrepreneurial decision-making will depend entirely on the market forces. The government new structural adjustment program, therefore, lacks a well defined strategy. The south-east Asian countries which recorded the decades of 1960s, 1970s and 1980s, in contrast did so on the basis of some structured blueprints and by a process of significant state intervention-which went out in case of India after economic crisis in 1991.

**B. Wrong sequencing of reforms:**

As a result of wrong sequencing of reforms, serious distortions have surfaced in the economy management. There are at least three example of wrong sequencing of reforms. First, while for drastic reduction in fiscal deficit, revenue deficit and even budget deficit the pre requisites are decisive reduction of non-development expenditure and widening the tax base, the government has initiated fiscal correction programme with surrendering of revenue through substantial reductions in tax rates and compression of capital expenditure.

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<sup>2</sup> EPW Research Foundation, “What Has Gone wrong with the Economic Reforms?”, EPW, Weekly, April 30, 1994, p.1049.

Second; a more obvious case of inappropriate sequencing relates to compression of government's capital expenditure and contraction of public investment before ensuring that the private sector and the foreign investors will fill the gap. The third case of flawed sequencing is of liberalizing imports of capital goods before adopting a strategy for technology advancement of the domestic capital goods sector. The latter was necessary for adopting outward oriented strategy of economic growth.

#### **C. Hasty Pace of Reforms:**

The rapid pace of reforms has been determined by the controversial goal to globalize the Indian economy quickly. This has led to rapid deterioration in the quality of industrial and agrarian sector.

EPW Research Foundation points out, "A sharp reduction in agricultural growth, reduction in agricultural productivity, a relative shift of exports away from manufactures and equal deterioration in industrial sector, these have been some of the glowing effects of rapid reforms without providing for some breathing time and appropriate checks and balances for the Indian agriculture."<sup>3</sup>

#### **D. Pre requisites of Reforms Ignored:**

The literature on stabilization and structural reforms is full of evidence that the shocks of these policies are better absorbed and their consequences for the well being of the masses are very much reduced if the society has already reached a certain minimum level of human development. The Indian

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<sup>3</sup>. Ibid; p. 1053.

situation is not at all encouraging from the point of view of human development and socio-economic structures.<sup>4</sup>

**E. Absence of human development goals as an integral part of the strategy:**

The stabilization and structural reform programme in India is being implemented against a background of incomplete structural transformation, widespread poverty, low level of human development and distorted pattern of expenditure on health and education oriented towards the relatively well off sections of the society.

Given these dismal conditions and a low rate of economic growth, structural reforms must be undertaken with human face. This requires that human development goals should be an integral part of the strategy of structural adjustment. Unfortunately in India no such attempt has been made.<sup>5</sup>

After economic reforms, the spurt in economic growth, was followed by a deep recession.

**CONCERNS REGARDING SOCIAL AND POLITICAL IMPLICATIONS OF REFORM:**

Overarching the resistance from particular interest groups are wider concerns about the larger social and political implications of the reform. These include several apprehensions:

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<sup>4</sup> UNDP, Human Development Report- 1993 and EPW Research Foundation, "Three tears of Economic Reforms in India: A Critical Assessment" April 1994.

<sup>5</sup> K. Seeta Prabhu, "The Budget and Structural Adjustment with a Human Face," EPW, April 16-23, 1994 p.1027.

- (a) That, trade liberalization and domestic regulation and disbanding protection for small industry would have huge and wide spread adverse effects on employment and incomes.
- (b) That, in the name of fiscal consolidation, expenditures are being squeezed and the compression is at the expense of pro-poor programmes (like basic social services, social welfare, security and poverty alleviation).
- (c) That, in the name of providing incentive for enterprise and professional skills, inequalities are allowed to increase.
- (d) That, the policy of open door for foreign capital and agreeing to the jurisdiction of international organization (like world Trade organization) created under unequal treaties in an unequal world dominated by the developed countries reduces the country's autonomy and makes it vulnerable to external pressure and interference.
- (e) An added dimension is the increasing concern about the consequence of pursuing current pattern of development for the environment and sustainability.

According to Rangarajan criticism based on these concerns as paranoia or ideologically motivated would be a serious mistake.

#### **IV. IMPACT OF THE NEW ECONOMIC POLICY ON THE VULNERABLE SECTIONS:**

Coming to the issue of the impact of the new economic policy on the vulnerable sections. C. Rangarajan argues, "Analytically, we need to address

two sets of issues. One is whether the new economic policy affects in any way the specific policy measures that we normally undertake in order to improve the conditions of the poor. Second, is there anything in the new economic policy which per se has an anti poor bias.”<sup>6</sup>

The new economic policy which may be a comment expression to refer to the measures introduced since July 1991 is not the total economic policy of the government. There are many other elements which continue to remain as an integral part of the overall economic policy. Among these are the measures which can be broadly termed as anti-poverty programmes.

First, since agriculture is the mainstay of the majority of the population, growth in agriculture and therefore resources allocated for agriculture are an important part of the attack on poverty. It is common knowledge that in states in which agriculture has made spectacular progress poverty levels have come down. Therefore, allocation of resources for agriculture is an important indicator.

Second, we have evolved over time a reasonably satisfactory food security system. An integral part of this is the public distribution system, with all its shortcomings, the public distribution system has played a notable role in avoiding acute conditions of scarcity and met to a certain extent the minimum requirements.

Is there anything in the new economic policy which is inherently anti-poor?

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<sup>6</sup> C. Rangarajan, 'The New Economic Policy and the Role of the State', 1996.

The poor are affected most when growth is low and when prices rise. The slowdown in growth in 1991-92 and the sharp increase in prices in the same year are sometimes cited as consequences of implementing the new economic policy. This is only partially correct assessment. There was a decline in agricultural production in 1991-92 and it is well known that the performance of agriculture from year to year is mostly a function of the weather.

Has the attempt to contain fiscal deficit affected anyway, the poor more?

While there has been some attempt to reduce fertilizer subsidy as part of the effort to moderate the fiscal deficit, the food subsidies have been maintained, the issue, however, is intensely debatable.

There is a dilemma here which we have to resolve. Unless we make the public distributions system more focused and directed towards only the weaker sections, keeping the issue price unaltered or changed moderately despite an increase in procurement prices will not be sustainable over a long time.

#### **THE POLITICAL ECONOMY OF ECONOMIC REFORMS:**

The changes in the policy package towards New Economic Policy deregulation and opening up of the economy initiated since late 70s and early 80s were not systematic and were never integrated against an overall framework. According to many scholars these changes were rather slow and not monotonic until July 1991 when the new Congress government came to

power. Since then the changes in the policy packages have picked up momentum. There had been four major doses of change since July 1991.

- (a) Immediately after the Government took power in July 1991, change the shape of new industrial policy.
- (b) Under the 1991-92 Budget.
- (c) Following the budget.
- (d) Under the 1992-93 budget along with simultaneous changes in trade and finance announced outside the budget.

The major changes fall broadly under five heads- industrial, trade, finance, fiscal and monetary. According to the development policy letter submitted by the Government to the World Bank which was subsequently placed before the parliament, the objects of economic reforms are "committed to the pursuit of equity and social justice" and blessed with a political system with a proven capability to provide both governance and freedom, the government's key economic objective is to restore and sustain the high growth which is essential to alleviate poverty and raise the standard of living.<sup>7</sup>

In pursuit of these objectives the Government's reform strategy seen over the course of the next five years aims at achieving:

- (a) a liberalized trade regime.
- (b) An exchange rate system which is free of allocative restrictions for trade.
- (c) Financial system operating in a competitive market environment.

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<sup>7</sup> Balder Raj Nayar "Modernization Imperative and Planning in India", Delhi 1993.

As it develop the new economic policy came to be based on the ideals of liberalization, privatization an globalization.

The early 1990s had been sharply marked for the radical departure that it brought about in the world economic and political relations:

- (a) India was in a vulnerable financial position
- (b) Since of the relative political instability.
- (c) Big business and pro west elements in India were pursuing for reforms.
- (d) Collapase of socialism in Eastern Europe and in the USSR taking away the popular appeal of the Soviet Socialist Ideology.
- (e) World economic forces became keen to integrate India into the global capitalist economy.

It was in this background that there came the liberalization package starting from July 1991. The New Economic Policy has raised a number of controversies. According to some observers several reforms introduced were long overdue and therefore welcome. Another view is that the government was surrendering to the international Monetary fund and World Bank who wanted Indian Economy to be integrated with global order, run by the leading capitalist countries. Some incisive scholars have called it luxury and armament led growth.

This strategy involves the state providing enormous facilities to the private sector by adopting what is called the liberalization policy as well as by actively cutting out a small enclave' provided with more purchasing power



and inducements to purchase to purchase luxury goods produced by the private sector and multinational companies.

Dr. Manmohan Singh, the chief architect of the new policies however assiduously tried to explain that the new government's policy was not dictated by the IMF conditionalities but on India's own autonomous evaluation of the national economic situation.

The critics of the New Economic Policy on the basis of its performance during first five years pointed out that reforms have opened the international windows too wide and have permitted multinational in all areas, respective of the privatization of hi-tech areas. The Multinational firms have started the process of swallowing Indian concerns and there is a strong fear that the multi nationals will subvert Indians capital and establish their supremacy in the corporate sector. This runs counter to our goal of self reliance.

Second, the entire process of New Economic Reforms has initiated a process of jobless growth.

Third, new economic reforms have by passed agriculture and thus agriculture which is the mainstay of any programme of economic stabilization has shown a very low rate of growth and has led to stagnation in agrarian sector and this is a cause for serious concern.

There is no doubt that new economic policy is clearly an elite oriented. There is a redistribution of incomes in favour of the domestic elites along with the deterioration in living standards of the general population. Assets owners stand to gain, whereas salaried workers to lose. The new economic policy is totally silent on employment and unemployment. The growing

unemployment has become, a serious political issue causing massive social disenchantment.

In view of the above the market oriented liberalization philosophy on that basis, therefore stand condemned in terms of the principal objective of growth with justice. It is now possible for the upper classes to monopolise the gains of growth. These processes created a situation in which small fraction of the social elite cornering huge benefits the economic development. This state of the economy, far from the by product of a sudden development, is in fact the outcome of the inherent contradiction in the processes of development that were set in the early years of the reforms.

#### **THE ADVENT OF GLOBALIZATION**

The last decade has seen much debate on globalization, economic liberalization and global integration in India. The completion of the Uruguay Round of trade negotiations in April 1994 and the establishment of the world trading organization (WTO) on January 1995 has further raised many issues regarding India's participation in world trade in future, its integration with the world economy and its likely costs and benefits from this integration.

Stated in simple terms, globalisation means 'integrating' the economy of a country with the world economy.

The term "globalization" is used to describe a wide range of things and in the process, there is no consensus on what it actually means. It has over time, become an expression of common usage. Any analysis of globalization raises several questions-starting from its definition to the iniquitous implication and the obvious concern of where India stands.

As we begin analysing the implications of globalization several questions arise. What is globalization? Is it purely an economic concept? Is this a new phenomenon? What are the benefits of globalization? Who gets hurt in the process of globalization? Is globalization influentially inequitous? Is it possible for individual country to isolate themselves from globalization? What are the complementary institutions and policies that countries can build to protect themselves or to gain maximum benefits? Where does India stand in this race for globalization? Is she a potential gainer or loser?

As said, the term 'globalization' means integration of economies and societies thorough cross country flows of information, ideas, technologies, goods, services, capital, finance and people. The essence of globalization is connectivity. Cross border integration can have search dimensions cultural, social, political and economic. In fact some people fear cultural and social integration even more than economic integration.

Historically, globalization has been a process with highs and lows and during 1870 to 1914, there was a rapid integration of the economies in terms of trade flows, movement of capital and migration of people. Empirical evidence shows that capital markets are no more globalized today then they were at the end of the 19<sup>th</sup> century.

Today, the concerns are more on the nature and speed of transformation and the enormous impact of new information technologies on market integration, efficiency and industrial organization. These go together with two major concerns: one, that globalization leads to a more inequitous distributions of income among countries and within countries and;

Two, that globalization leads to loss of national sovereignty and imposes constraints on the pursuit of independent domestic policies. As nations come together whether it be in the political, social or economic arena, some sacrifice of sovereignty is inevitable, but it need not necessarily result in the abdications of domestic objectives but affects it to a great extent.

### **India's Response To Globalization**

What should be India's response in the extent of growing globalization? Opting out of the process of globalization is not a viable choice. What is needed is to evolve a framework to get maximum benefits out of international trade and investment. This should include making a list of explicit demands that India would like to make on the multilateral trade system; measures that the developed countries should undertake to enable developing countries gain more from international trade and steps that India should take to realize the full potential from globalization.

### **Concern For Autonomy:**

The loss of autonomy in the pursuit of economic policies. In a high integrated world economy, it is sure that one country cannot pursue policies which are not in consonance with the world wide trends. Capital and technology are fluid and they will move where the benefits are greater. As the nations come together whether it be in the political, social or economic arena, some sacrifice of sovereignty is inevitable. The constraints of a globalized order on the pursuit of domestic policies have to be recognized.

### **Insecurity And Volatility:**

Another fear associated with globalization is insecurity and volatility, when countries are inter-related strongly, a small spark can start a large conflagration. The only hope here is that despite integration, different parts of the world economy can be at different phases of the business cycle. There is greater insecurity because of the constant drive towards efficiency and competition. The downside of globalization essentially emphasizes the need to create countervailing forces in the form of institutions and policies at the international level. Global governance cannot be pushed to the periphery, as integration gathers speed.

### **GATT, WTO AND INDIA'S AGRICULTURE SECTOR**

The major economic powers have succeeded in creating a new international regime where the profits and the dominance of their transnational corporations will be the decisive considerations. This regime will legitimize the process of progressive erosion of the sovereign economic space of the third world countries. What is more, the new system will provide a built in coercive mechanism of cross retaliation through which the major powers will be able to intrude into and occupy such economic space in the third world.

The General Agreement on the Tariff and Trade (GATT) was established in 1948 in Geneva to pursue the objective of free trade in order to encourage growth and development of all members countries. The principle purpose of GATT was to ensure competition in commodity trade through the removal or reduction of trade barriers. The first seven rounds of negotiations

conducted under GATT were aimed at stimulating international trade through reduction of tariff barriers and also by reduction in non-tariff restrictions on imports imposed by member countries. GATT did not provide a useful forum for discussion and negotiations on international trade issues.

#### **THE URUGUAY ROUND OF NEGOTIATIONS – 8<sup>th</sup> ROUND OF GATT**

The 8<sup>th</sup> round of Multi-lateral Trade Negotiations popularly known as Uruguay Round (since it was launched at Punta del Este in Uruguay) was started in September 1986 at a special session of GATT contracting Parties held at ministries level. World trade had undergone a structural change during the four decades since the establishment of GATT in 1948. The Uruguay Round contained the mandate, to have negotiations in 15 areas. Part I, negotiations on Trade in Goods were to be conducted in 14 areas and in Part-II negotiations on Trade in services were to be carried out.

These negotiations were expected to be concluded in four years, but on account of differences in participating countries on certain critical areas such as agriculture, textiles, TRIPs and anti-dumping measures, agreement could not be reached.

To break this deadlock, Mr. A. Dunkel, Director of GATT compiled a very detailed document, popularly known as Dunkel Proposals and presented it before the member-countries as a compromise document. The Dunkel proposals culminated into the Final Act on December 15, 1993 and India signed the agreement along with 117 nations on April 15, 1994.

## **PATENT -LIKE PROTECTION IN AGRICULTURE:**

Dunkel final Act has made important changes concerning patenting or granting patent like protection in agriculture. Article 27 of TRIPs text states that India may provide for protection of plant varieties either by patent or by an effective sui generis system or by a combination thereof.

It may be emphasized that traditionally, under GATT, most patent systems have excluded sectors such as agriculture, food and health outside its orbit. Some developed countries created a separate sui generis system which granted intellectual property rights to plant breeders. This was codified in 1961 under the International Union for the Protection of New Varieties of Plants (UPOV).

This convention was modified in 1991 and the revised UPOV treaty empowers higher standards of protection to plant breeders, thereby strengthening the monopoly rights of the breeders of a new variety. Under the revised UPOV treaty (1991), the breeders had to pay royalty to the plant breeders Right (PBR) holder, if his new variety resembled the protected variety in any trait.

Similarly, the farmers was not automatically permitted to use farm-saved seeds of protected variety to sow the next crop. He had either to pay compensation for use of seeds or obtain the approval of the breeder. Most of the plant breeder were giant MNCs who work with sole intention of profit maximization. They would be resultant to grant approvals to farmers, who would otherwise be forced to purchase seeds from MNCs.

The Government of India has been under constant attack that the sui generis (Plant Breeder Rights) system is against the interests of farmers and would act as an impediment to the development of new plant varieties.

Mr. Pranab Mukherjee, former Minister of Commerce said in this connection: "While reasonable protection should be provided to plant breeders who develop new varieties under the Agreement, the right of farmers and researchers will also be fully protected. In the sui generis legislation which is being drafted for the purpose, the interests of the farmers will be safeguarded."<sup>8</sup>

Another area of controversy has been the limits on the extent to which farmers can be provided subsidies. Dunkel Final Act stipulates the developing countries can subsidise upto 10 percent of their value of output, while developed countries have a lower ceiling of 5 percent.

In case, in a country subsidies are higher than the limits set by the Final Act, then they should be reduced by 20 percent within a period of six years. In that sense there is an effort to introduce "subsidies discipline." In this connection it needs to be pointed out that a uniform treatment to subsidies for both developed and under developed countries is not rational. The reason being the difference in the nature of subsidies in different countries.

Developed countries subsidise their agriculture so that they can dump cheap grains in the markets of other countries, while in contrast developing countries use subsidies to help the farmers to buy inputs at lower prices so

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<sup>8</sup> Ministry of Commerce document 1996.



that they can increase their production and thus reduce their dependence in food and agricultural raw materials on foreign countries.

Another crucial function of the subsidies is to make food grains available to the people at affordable prices and thus food subsidies play a crucial role in controlling foodgrains prices so that the masses get food at cheap rates.

Another issue which pertains to agriculture is that the proposal in the Final Act that all countries have to provide access opportunities to imports of at least 4 percent of their total consumption, except for those primary commodities which are considered as staple in the diet of a developing country.

In case agriculture is liberalized, there would be higher input prices, as a consequence consumers in India will have to pay higher prices for agricultural products. It is this aspect of the access opportunity clause which is detrimental to the interests of the people of India.

Thus, there is no doubt that in a world of unequal partners, multilateralism is superior to bilateralism and if some concessions are to be extracted from strong partners belonging to US and European Community, then the combined strength of the developing countries can exercise a stronger pull in their favour.

One redeeming feature of the GATT is that there is the principle of one country one vote. However, the developed countries are able to pressurize the developing countries by various new courses, more especially through intellectual property rights and TRIMs.

The solution lies in the fact that the developing nations should take advantage of the multi-lateral trade organizations and share their combined strength by closing their ranks, rather than surrender their sovereignty one after another.

To say that there is no alternative is a defeatist solution. Now that China has also been admitted to WTO, both China and India should work together to assert a fair and just treaty among the trading partners of WTO rather than pushing down the throat of the weak, the will of the strong partner(s).

#### **GLOBALISATION AND ITS IMPACT ON INDIA.**

Globalization is considered as an important element in the reform package. But what constitutes globalization?

The term globalization has four parameters.

- (a) Reduction of trade barriers so as to permit free flow of goods across national frontiers.
- (b) Creation of an environment in which free flow of capital can take place among nation-states.
- (c) Creation of environment, permitting free flow of technology.
- (d) Last, but not the least, from the point of view of the developing countries, creation of an environment in which free movement of labour can take place in different countries of the world.

The advocates of globalization, more especially from developed countries, limit the definition of globalization to only three components, that is, unhindered trade flows, capital flows and technology flows.

They insist on the developing countries to accept their definition of globalization and conduct the debate on globalization within the parameters set by them. However, several scholars in the developing world believe that this definition is incomplete and in case the globalisers ultimate aim is, to look upon the world as 'global village', than fourth component under developed rural sector of the developing countries cannot be left out. But the entire issue whether debated at the World Trade Organization (WTO) or at other forms blacks out the 'rural development' as an essential opponent of globalization.

However, the Report on 'Human Development in South Asia (2001) rightly mentioned: "Globalization is no longer an option it is a fact"<sup>9</sup>

India has followed the policy of globalization for over a decade. It would be desirable to study empirically the impact of these policies on our rural economy agrarian sector.

#### **WTO - Trepassing The Sovereignty of Nation States:**

According to the critics the operations of WTO has lead to a substantial and continuous erosion of the authority and jurisdiction of the nation states an

account of the following reasons:

- A. The WTO Agreement establishes an international legislative body with a vast subsisting domain and with a built in provision for continuing expansion of this domain. The GATT Agreement was essentially a border paradigm as it was concerned mainly with issues arising out of international trade of goods at international

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<sup>9</sup>. Human Development in South Asia (2001), Oxford University Press (2002).

border. The WTO Agreement, annexes vast spaces of national decision making into its domain. As noted, the entire spectrum of intellectual property rights (IPRs) has been lifted out of the national domain and subjected to a rigorous international discipline. The developed countries are also trying to bring other issues like social clauses, labour services and issue of child labour, environmental protection etc. Under the new international control regime.

- B. GATT had one fundamental, egalitarian principle embedded in it. Article I of GATT provided for its members the fundamental right of non-discriminatory treatment at the hands of other members of the system in regard to international trade in goods. This meant that every member had an implicit veto on the question of amendment of Article I. WTO has destroyed this feature. Now with a  $\frac{3}{4}$  majority, new obligations can be added and new disciplines enforced on the members.

The above arguments show that the WTO Agreement signals the virtual emergence of a World Parliament which has been granted powers to enact international laws on matters that were under national jurisdiction so far. The effectiveness of the process is granted by the denial of the MFN (most favoured nation) treatment to a member who refuses to abide by such laws.

Thus, WTO trespasses the sovereignty of the nation states. Under the guise of rule based multilateral order, global integration and development of free international trade, the developed nations have succeeded in building

up a new international economic order that fully seems their interests and sacrifices the interests of the large, silent and deprived majorities of the developing countries

#### **A Critical Review of the working of WTO:**

If the large number of disputes that have cropped up amongst the developed countries themselves, between developed and developing countries or amongst the developing countries themselves are any indications, the global trading system as it has evolved under the aegis of WTO over the last ten years has pleased nobody.

USA and European Union are fighting amongst themselves on issues like 'bananas' and 'agricultural subsidies' The developing countries feel cheated as while they have been forced to open markets for developed countries their access to the markets of the latter has been thwarted by protectionist measures. Most developed countries have circumvented their obligations and paid only lip services in observance. For example, under the Agreement on Textile and clothing (ATC) during the last ten years the terms released from MFN quotas in monetary term accounted for far less than what was actually envisaged.

Similarly through the backdoor protectionist measures have been introduced under the provisions of Agreements on Anti-dumping and subsidies and Countervailing Measures.

Moreover right from the first ministerial meeting in Singapore in December 1996 the developed countries have made serious attempts to induct new issues for negotiations so as to commit developing countries to

obligations which could further erode their competitiveness and ability to penetrate in global markets. Naturally the developing countries are apprehensive regarding the role of WTO.

### **Agreement on Agriculture (AoA)**

Agreement on agriculture is also biased in favour of the developed countries, for example, on the issues of the subsidies. Agreement on agriculture provides that countries not using any subsidies during the period 1986-88 (which has been identified as the base period for the Agreement) are prohibited from introducing any new subsidies in the WTO regime. This automatically places a small number of such countries, which have been using export subsidies in an advantageous position as they have been provided the opportunity to use these subsidies. For instance in case of wheat, the top five users of export subsidies for wheat accounted for 95% of the subsidised wheat exports every year between 1986 and 1990. It has been estimated that even when all the cut-backs in line with the commitments in the AoA are in place these five exporters would still be able to channelise major share of subsidized wheat into the world market, which roughly accounted more than 50 percent of the wheat trade in the mid 1990s.<sup>10</sup>

### **WTO, AGREEMENT ON AGRICULTURE:**

WTO Agreement on Agriculture stipulated that developed countries would reduce their subsidies by 20 percent in six years and developing countries by 13 percent in ten years. But as the fact stand today, developed

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<sup>10</sup> . Biswajit Dhar, "Agreement on Agriculture", the Economic Times, July 2, 1999.

countries trended to circumvent this agreement by providing Green Box and Blue Box subsidies to support agriculture.

**Green Box Subsidies:-** Include amounts spent on Government services such as research, disease control, infrastructure and food security. They also include payments made directly to farmers that do not stimulate production, such as certain forms of direct income support assistance to help farmers restructure agriculture and direct payments under environmental and regular assistance programmes. This definition is very wide and includes all types of Government subsidies.

**Blue Box Subsidies:-** are certain direct payments made to farmers where the farmers are to limit production, certain government assistance programmes to encourage agriculture and rural development in developing countries, and other support on a small scale when compared with the total value of the products supported 15 percent or less in the case of developed countries and 10 percent or less for developing countries.

Similar to domestic support subsidies, developing countries are not allowed to increase their negligible level of export subsidies while developed countries are allowed to maintain 64 percent of their subsidy outlays on the base level. Consequently, agriculture imports from developed countries are available at much below the market price in the domestic economy.

Human Development Report (1997) reviewing this problem mentions: "According to the OECD, the per capita transfer to US former amounted to \$ 29, 0000 in 1995. In the main maize producing areas of Mindanao and Cagayan Valley, the average per capita income amount to less than \$300. So

each US farmer receives in subsidies roughly 100 times the income of a maize farmer in Philippines.”

In the real world as distinct from the imaginary or inhabited by free traders, survival in agricultural markets depends less on comparative cost advantage than on comparative access to subsidies. Liberalizing local food prescription for improving efficiency but a recipe for the destruction of livelihood.

Implementation of the Uruguay Round agriculture agreement over the next five years will not materially change the picture.....Agriculture remains the only area in which export dumping is accepted as a legitimate trade practice.

Earlier, Indian agricultural prices were lower than international prices mostly. But as a result of the heavy subsidization of agricultural exports by developed countries, the situation under took a dramatic about turn. The Indian farmers have been put to serious disadvantage. The phenomenon of farmers suicides and the growing unrest in several states because of the distress of farmers specializing in agricultural commodities and their exports is a very serious human problem.

#### **Has The Situation Changed After Doha?**

Doha Ministerial (2001) forced the developed countries to consider issues of implementation before under taking considerations of new issues. Developed countries agreed to discuss the issues related with implementation. It was also felt that developed countries should reduce tariffs and also remove non-tariff barriers. But did the situation changed thereafter?



It would be relevant to quote the findings of the Human Development Report (2003) in this regard.

“The most important expectation of poor countries in the Uruguay Round of international trade negotiations (1986-94) was that rich countries would open their markets in these two sectors (Agriculture and Textiles). But the results have been largely disappointing. Protection in most such countries remains extremely high, through a variety of instruments.”

**Tariffs:** In agriculture, the tariffs of OECD countries are heavily based on against low priced farm products produced by developing countries.....Bangladesh exports about \$2.4 billion to the United States each year and pays 14% in tariffs -while France exports \$ 30 billion and pays 1% in tariffs.

Moreover, the Uruguay Round did not change peak tariffs (those above 15%) on many developing countries - 60% of imports from developing countries by Canada, the European Union, Japan and United States were subject to peak tariffs.

**Quotas:** Import quotas are a more extreme version of the same policy. Rather than just making developing countries products less competitive, quotas do not allow these products past a certain volume to compete at all.....Quotas on clothing and textiles are to be phased out by 2005. But in 2002 quotas still governed most of the same clothing products covering quotas in the late 1980s.

The lack of progress raises doubts about the seriousness of OECD countries to meet their 2005 commitments.”

**Export Subsidies:** Rich countries, to varying degrees, pay large subsidies to their domestic food producers. These subsidies are so large totaling \$ 311 billion a year- that they affect the market peaces of agricultural goods, causing direct harm to poor countries. European Union subsidized exports have contributed to the decline of dairy industries in Brazil and Jamaica and the sugar industry in South Africa..... “Annual Subsidies in such countries (\$ 311 billion) considerably exceed the national income of all sub -Saharan Africa (\$52 billion) in 200” (page -154-55).

From the facts revealed by the Human Development Report (2003) which are based on the Research work done by the Millennium Task Force 9, 2003 and Bridesall and Clemens, 2003 provide an overview of the ground reality and the intentions of the such countries to jealously protect their own domestic interests in the name of free trade and globalization under the auspices of the WTO.

#### **What Needs To Be Done?**

The basic question is: what needs to be done? There are two levels at which action has to be taken. First in the international level and the second is the domestic level.

At the international level, resistance has to be built against the developed countries so that a level playing field is available to goods and services expected by India and other developing countries. The net impact of the protective and discriminatory policies of the US and OECD countries are to corner all benefits of globalization in their favour.

Human Development Report (2003), opines: "But in the long - run low prices dampen incentives to invest, which leads to stagnation of an important sector of the economy i.e. agriculture on which many poor countries and poor people depend. That leaves the rich countries farmers as the sole true beneficiaries of subsidies, with a multitude of losers across the globe" (page 156).

At the international level, combined pressure of developing countries is bound to make an impact, with an improvement in relations with China after Prime Minister Vajpayee's successful visit, if these two big countries belonging to the developing world, mobilize support from Brazil, Pakistan, Bangladesh, Vietnam, Philippines, Africa etc, it could represent the voice of two-third of the people of the world.

Developed countries will ultimately have to yield to the basically logical stand of these countries so that the benefits of globalization should be equitably shared between the developed and the developing world.

In case, the developed and rich countries do not listen to the pleadings of the developing countries to adhere to the norms and agenda agreed for reduction of tariffs and subsidies, then there are two alternatives left.

Developing countries should decide whether they would like to continue to be members of the WTO or whether they should also take recourse to retaliatory measures. History provides ample evidence that when the voice of reason and logic was not listened to, then the only alternative left was to retaliate.

Since agricultural subsidies in India are much less than the 10 percent of the GDP level stipulated by the WTO (they are around 3 percent), there is enough scope to raise them as a retaliatory measure. But such a course is likely to give a serious jolt to the movement towards globalization, but if such an eventuality is forced on developing countries, they have to use the better pill to save the livelihood of the farmers who depend exclusively on agricultural exports.

Late Prof. P.R. Brahmanada went so far to assert in one of his lecture: "we have to think of domestic interests as paramount. If can be leave WTO for the interests of our farmers, if yes, we should;

India 's agricultural imports were of the order of US \$ 1.86 billion in 2001-2002, but they increased to \$ 2.29 billion in 2002-2003. If the surge continues than the interests of Indian farmers would be seriously affected. (Economic Survey 203-04) makes a forthright statement:

"India has considerable flexibility to counter flooding of the Indian market by cheap agricultural imports through the imposition of tarrifs (bound rates) under WTO. WTO permissible tariff rates are reasonably high: 112 percent for nuts, 150 percent for sugar and coffee, 100 percent for tea and cotton, etc. Countervailing duties can also be imposed to counter questionable subsidies given to agriculture products by the exporting countries apart from having the option of acting under safeguard provisions to counter the surge of imports. In budget 2001-02 import duties were raised for many agricultural products such as tea, coffee, pulses etc. In 2002-03 budget, the import duties were raised for pulses from 5 to 10 percent, tea and coffee from

10 to 100 percent, natural rubber, paper from 35 to 70 percent." (page 174-175).

So far India has followed the Agreement on Agriculture very honestly, but honest implementation should not be treated as a sign of weakness.

In case, the US and OECD countries persist in their nefarious game of protective tariffs, quotas and subsidies for their farmers, India and other developing countries may be left with no choice but to retaliate. But this would mean the start of a process which may result in the decline of globalization world over.

However, this does not mean that domestic level, India has no action to take to improve its agriculture. In fact, the reform process is guilty of neglecting agriculture.

In agricultural infrastructure, the most important is irrigation. The reform process emphasized the role of the private sector in promoting irrigation. But the experience of the Ninth plan as documented in the Tenth plan reveals that the private sector invested in irrigation technologies which were mainly extractive such as tube wells. But these investments are made in rain-water harvesting and recharging of ground water resources.

However, data provided by central statistical organization (CSO) reveals that in gross capital formation in agriculture, the share of the public sector declined from 33 percent in 1994-95 to merely 23.5 percent in 2000-01.

Economic Survey (2000-03) indicating the main reasons for Indian exports continuing to be in the range of 13-14 percent of total exports states:

“Main reason is poor export infrastructure, low level of agri processing, grading, quality control and poor or lack of quality branding and packaging.”

Another important area which needs attention is to make agricultural credit available at lower rates of interests. There is no doubt that the total flow of institutional credit to agriculture which was of the order of Rs.31, 956 crores in 1997-98 has more than doubled to Rs. 82000 crores in 2002-03. This is really heartening but the rate of interest charged on loans ranges between 14-18 percent. This implies that the benefits of declining rates of interest have not been passed on agricultural borrowers.

The upshot of the entire analysis is that whereas the developed countries want to penetrate the markets of developing countries in agriculture, they continue to use tariffs, quotas and subsidies to help their farmers.

There has been no perceptible change in the policies of the United States and OECD countries. To share the benefits of globalization in an equitable manner, it is imperative that developed countries bring about reductions in tariffs and subsidies and eliminate quotas so to permit a level playing field for developing countries.

Moreover, as estimated by the European Commission, half of all subsidies go to just 5% of large farms. If under the banner of globalization, WTO intends to build a more equitable and just world order, then at forthcoming ministerial meet at concern in November-December 2005, it has to apply pressure on developed countries so that the principle of comparative

cost becomes the basis of trade in agriculture, rather than the principle of access to subsidies.

The plight of farmers in developing countries was directly linked to the level and kind of subsidy extended to farmers in the advanced countries.

The concern round ended in fiasco because of the stubborn attitude of the representatives of US and EU countries, not to discuss reduction of agricultural subsidies but to push the Singapore issues i.e. investment, competition, government procurement and trade facilitation. Since India, Brazil, China, Indonesia, Egypt, Malaysia, Philippines, Bangladesh including other developing countries voiced their strong opposition to the Cancun (2003) draft, the negotiations ended in total failure.

At the Geneva meeting in July 2004, efforts were made to discuss the concerns of the developing countries. India was represented by Commerce and Industry Minister Mr. Kamal Nath. The Indian Government has claimed that it has been able to extract substantial gains on the export of industrial goods and services. It has also been able to safeguard the interests of the farmers. The major gains claimed are:

Developed countries have agreed to do away with direct and indirect subsidies provided to their export. They have also promised to bring about substantial reduction of domestic support provided to their farmers. In particular, the Geneva framework requires that there would be a minimum reduction in such support to 80 percent of the pre-existing levels in the very first year and throughout the period of implementation.

Developing countries have the right to identify the number of special products, based on the criteria of food security, livelihood security and rural development needs, which would be eligible for flexible treatment.

Therefore, on the agricultural front, the biggest achievement seems to be the two windows open for developing countries like India to place the products of their choice in Special Products and Sensitive Products windows. Special product windows can be used by developing countries to block flooding of imports of a particular product. The Commerce Minister believes that these two windows will help India to effectively block the US and EU access to our agricultural markets.

#### **Critical Arguments:**

On balance, it may be stated that WTO Framework Agreement has made a break-through in world trade --negotiations. There are significant gains made, but the mooted question is, will the developed countries permit the developing countries to realize these gains in the near future?

The critics are not very sure because as has been argued by former commerce Minister Arun Jaitley, C.P. Chandraskhar and Jayati Ghosh of JNU, Devinder Sharma and Rupa Chanda of IIM Bangalore; for the devil is in the details. Members have only agreed to a framework. The actual modalities need to be worked out.

The subsidies take there forms:

- (a) Amber Subsidies are intended to encourage more production.
- (b) Blue Box provides incentives to limit production.



- (c) Green Box subsidies are provided in the name of environment and livestock.

The total subsidies provided by the developed countries are \$ 320 billion per year or nearly \$ 1 billion per day. The most unfortunate part of the negotiations is that the Blue Box subsidies have been legitimized. The declaration states: "Members recognized the role of the Blue Box for promoting agricultural reforms."

Similarly, the declaration accepts that the Green Box subsidies will not in future be subject to any reduction in subsidies. This implies that we have shut the door so far as reduction in Blue Box and Green Box subsidies is concerned. Arun Jaitley in a sharp comment argues;

"We have painted ourselves in a corner by legitimizing the existence of Green Box and the Blue Box. We have not only hurt ourselves in the Doha round but accepted a principle that will continue to haunt us in future rounds.....We can rejoice that there would be a capping on the expanded Blue Box and an overall reduction."

The developed countries can feel relieved that the Green Box is wholly outside any reduction commitment and jugglery of Box shifting world effectively prevent any reduction in the quantum. The colour of subsidies may change but will the quantum be substantially reduced?

Critics, therefore, are of the opinion that the developed countries have emerged as the winners in this game of negotiations and have been able to extract a framework which would strengthen the bargaining of US and EU in the future rounds of negotiations.

However, C.P. Chandrashekar and Jayati Ghosh also agree with Arun Jaitley that the member may restructure the subsidies and shift the Blue Box support to the Green Box and thus avoid any reduction of subsidies.

### **Conclusion:**

A survey of the globalization policies followed in India reveals that the promised benefits of globalization in the form of sharp increase in GDP, exports, foreign direct investment, reduction of poverty, deceleration of unemployment could not be realized by India during the 1990s.

Globalization has adversely affected Indian agriculture, it has enabled the developed countries to push their exports to India at a much faster rate, but did not facilitate the process of access to international market; agriculture sector has also suffered due to the policy of dumping practiced by developed countries.

The most distressing part of the story is the double standards practiced by the developed countries which manifest in the form of unfair agreement on Agriculture; a policy market by a bias in favour of the farmers of developed countries as against the poor farmers in India.

Mr. V.S. Vyas rightly points out: "The international agreements, particularly under World Trade Organization (WTO) have not helped the developing countries as was professed at the time of the establishment of WTO."<sup>11</sup>

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<sup>11</sup> Vyas V. S. (2002), Globalization: Hopes, Realities and Coping Strategy, Economic and Political Weekly, May, 2002, (23-29).

All these factors have resulted in an erosion of faith in globalization as the new “mantra” for stimulating development in India.

#### **Frame Work of Policy:**

What should be India’s attitude in this environment of growing globalization?

At the outset it must be mentioned that opting out of globalization is not a viable choice, There are at present 142 members in the World Trade Organization (WTO). Some 30 countries are waiting to join the WTO. China has recently been admitted as a member. What is needed is to evolve an appropriate framework to wrest maximums benefits out of international trade and investment. This framework should include.

- (a) Making explicit the list of demands that India would like to make on the multilateral trade system.
- (b) Measures that rich countries should be required to undertake to enable developing countries to gain more from international trade.
- (c) Steps that India should take to realize the full potential from globalization.

Concerns have been expressed about the impact of present WTO arrangements on Indian agriculture. However, under the present provisions, the degree of protection engaged by Indian agriculture is below what is permissible. In fact in relation to some agricultural products, very recently the import duty was a increased considerably.

On the contrary, Indian agricultural products can gain greater market access in the advanced countries, as the tariff barriers come down in those

countries. This expectation has not been fulfilled so far. The developed countries have played a clever game by taking resources to 'Green Box' and 'Blue Box' provisions. But possibilities to exist for expanding the market for Indian agricultural products. Doha showed some success in this direction. But the benefits of being part of the larger system would not be lost sight of.

#### **Rich Country Initiatives:**

The purpose of the new trading system must be to ensure "free and fair" trade among countries. The emphasis so far has been an "free" rather than "fair" trade. It is in this context that the rich industrially advanced countries have a role to play. They have often indulged in "double speak". While requiring developing countries to dismantle barriers and join in the main stream of international trade, they have been raising significant tariff and non tariff barriers on trade from developing countries.

Very often, this has been the consequence of heavily lobbying in the advanced countries to protect 'labour'. Although average tariffs in the United States, Canada, European Union and Japan, range from only 4.2 percent in Japan to 8.3 percent in Canada, their tariff and trade barriers remain much higher on many products exported by developing countries.

Major agricultural food products attract tariff rates exceeding 100 percent. Fruits and vegetables such as bananas are hit with a 180 percent tariff by the European Union, once they exceed quota. These trade barriers impose a serious burden on the developing countries.

It is important that if rich countries want a trading system that is truly fair, they should on their own lift the trade barriers and subsidies that prevent

the products of developing countries from reaching their markets. It is important that these issues are brought to the forefront of the discussion at all international fora.

**Actions by India:**

Another set of measures that should form part of the action plan must relate to strengthening India's position in international trade.

India has many strengths which several developing countries lack. In that sense, India is different and is in a stronger position to gain from international trade. For instance, we must make good use of the extended time given to developing countries to dismantle trade barriers. Whenever legislations are required to protect sectors like agriculture they need to be enacted quickly.

However, nothing is an unmixed blessing. Globalization in its present form through spurred by far reaching technological changes is not a technological phenomenon. It has many dimensions including ideological. It has been argued by many scholars that, we must voice our concern and in cooperation with other developing countries modify the international trading arrangements to take care of the special needs of such countries.

At the same time we must identify and strengthen our comparative advantages. It is this twofold approach which will enable us to meet the challenges of globalization which may be the defining characteristic of the new millennium.

## CHAPTER-III

### DEVELOPMENT OF AGRARIAN CRISIS IN ANDHRA PRADESH

#### Changes In Agricultural Policy: Generating Distress:-

The structural adjustment programme adopted in July 1991 by the P.V. Narasimha Rao government had two components:

- (a) A macro economic stabilization programme to reduce balance of payments and internal budgetary deficits.
- (b) A comprehensive programme of structural change of the economy in the fields of trade, industry, foreign investment, public sector and financial sector. Under it no new agriculture policy was enunciated by the Central government. However, a number of shifts that are of significance for the farm sector:

There has been due to globalization of the economy, a furtherance of the path of technological capitalist development inaugurated with the Green Revolutions. As part of the new regime subsidies to farmers on water, powers, fertilizer etc. Which were seen as a cause of the high fiscal deficits, were to be phased out, controls on the internal market removed and exports encouraged so as to gain scarce foreign exchange to fill the fiscal gap.

While earlier the stress was on the food security keeping prices low based on the principles of social justice. The four mainstay of the old regime: input subsidies, minimum support prices, procurement prices and issues polices were to be reformulated and gradually phased out. At the same time

taxes would be levied on such farmers, private rather than government investment, agro-industry and modern technology was to be encouraged in the agricultural sector.

This did not mean that the state was completely withdrawing from intervention in agriculture, which in the Indian context has rightly been judged as too risky, rather a balanced approach was to be encouraged that allowed more room for market forces. (For details see G.S. Bhalla, in 1994:1-22.). This however meant that domestic concerns were to be less important and farmers were encouraged to produce for the international market.

At the same time change in the global economy, the WTO regime by early 2000 amounts to removal of protection on imports and exports due to the removal of the quantitative restrictions (QRs) on import of agricultural commodities leaving are farmers facing the volatility of global price [CNIRD 2004; 15].

In these conditions farmers producing for the international market are facing crisis. The Indian policy reform already implemented which seeks to increase the degree of openness of the economy, represents a departure from the erstwhile trade policy regime for agriculture (Deepak Nayyar and Abhijit Sen, "International Trade and Agricultural Sector in India", in G.S. Bhalla).

#### **Agrarian Distress: Emergence of Crisis:**

The result has been that from the middle of the 1990s there have been all crisis in agriculture owing to increasing cost of production, falling output

prices, inadequate markets and the liberal policies of importing agricultural products in India.

Two examples pertinent for this study are cotton and oilseeds. When global prices for cotton were high several thousands of small farmers took loans and even leased in land. But the international prices of cotton fell and they received little support from the government unlike the past. Regarding oil seeds the government of India had taken serious efforts to boost production since the mid 1980s and total production more than doubled for nine varieties from 10 million tones in 1980 to 20.5 tonnes in 2001-02.

Edible oil consumption rose and imports fell and the country reached a level of self-sufficiency in a decade (NIRD, 2004:16). But cheap import of edible oil in the last few years has had a direct impact on oil seeds prices, which have registered a sharp fall (Menon 2001). In 2001-02, April to October edible oil imports accounted for 62.7 percent of all the agricultural imports in India (GoI, Economic Survey 2002-03).

For the first time in India, outputs as well as prices are falling at the same time. In the past whenever there was fall in production, output prices would rise and vice versa. But due to changes in WTO regime many agricultural commodities are on the open General lists of imports whose import tariff are substantially reduced. For instance the import tariff on edible was reduced from 25 percent to 15 percent.

The New National Agricultural Policy announced on 28<sup>th</sup> July 2000 by the NDA government was designed in keeping with the changes taking



place in the international economy and corresponding ones within the Indian economy (Union Ministry of Agriculture, 2000).

While aiming at over 4 percent growth per annum, it promised “growth with equity i.e. growth which is widespread across regions and farmers” and which is “sustainable technologically, environmentally and economically.”

The new policy does not mention land distribution or any measures to help small and marginal farmers, tenants or landless agriculturalist. The Congress- led UP government installed after the 2004-Lok Sabha elections has promised that public investment in agricultural research and extension in rural infrastructure and irrigation will be slapped up in a significant manner at the very earliest.

Irrigation will receive the highest investment, project will be completed according to a strict time schedule. The rural cooperative credit system will be nursed back to health. (CMP, 2004).

## **FARMER SUICIDES**

The farmers suicides have taken place at a particular juncture of “Development” on a large scale and cannot be dismissed as a social problem.<sup>1</sup> It is a phenomenon related to the total agricultural situation in India and some states in particular. Suicides by farmers in Andhra Pradesh, a state where the largest number of suicides have taken place and which has been in the forefront in pursuing economic reform under the structural Adjustment.

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<sup>1</sup> . National Institute of Rural Development, 2004. Karnataka, Andhra Pradesh Research Report Series-64.

Program. It is argued in the chapter that while globalization of the economy arising out of the structural Adjustment Program in 1991 is an important reason for farmers which is the major section that has taken recourse to suicides.

The initiation of a structural adjustment programme (SAP) and globalization of the Indian economy in 1991 had significant implications for the agricultural sector. Although no new agricultural policy was enunciated under the programme, the 1990s witnessed increasing commercialization and globalization and globalization of agriculture in response to new fiscal and trade policies, which led to the opening of the economy. Both the decisions made by farmers and the prices of agricultural commodities have since been affected by changes in the world market. Due to the need for fiscal discipline public investment in agriculture fell and the state began to withdraw forms of support to agriculture, which led to reversal of the earlier protection provided to the farm sector.

States such as Karnataka, Punjab, Tamil Nadu and Andhra Pradesh, where big farmers had already taken to capitalist agriculture on a large scale prior to the new economic policies, were quick in introducing economic reforms within the framework adopted by the central government that have impacted upon the agriculture sector. These states encouraged farmers through a series of policies incentives in the 1990s do shift from food to high risk commercial cropping. Yet at the same time they have failed to provide, regulate the basic requirements export of oriented capitalist agriculture either

though state mechanisms or through the private sector. Consequently, the smaller farmers particularly, have been badly hit by the impact of free market forces.

Yet it while globalization provides the context in which the suicides are taking place it is essential to understand the state in which agriculture is in the country as a whole. It is by now well-established that the Green Revolution technology widened not only regional imbalances but also disparities among different size of farms and class of farmers. The new field increasing agrarian technology was imposed without adequate development of credit, power extension, input supplies, marketing and irrigation on an agrarian structure where land institutions are not rationalized. The failure of land reform to distribute land to the landless and population growth causing sub-division of already small land holdings means that the land area per head is much smaller now than a decade ago. In this situation increasing adoption of 'market driven commercial and mono-cropping culture' has led to severe stress on local resource base declining capital formation public investment, share of agriculture in GDP, the adverse terms of trade, falling return-cost ratio are some of the disturbing trends, which have emerged on the agrarian scene. Equally important, in practically every state there has been failure of delivery systems, namely provision of water, seeds, fertilizers and credit at affordable prices to small farmers. These developments have put small farmers into a debt trap that leaves them with little recourse but suicide. It is this combination of external market pressure and lack of internal support

structures during a period of transition from a command to a market system that has driven large number of farmers to take the step of suicide.

The state of Andhra Pradesh has been in the forefront in the implementation of economic reforms. In the ongoing process of economic restructuring, the agricultural sector and particularly the problems faced by the small farmers in the poorer regions in the state were neglected by the Telegu Desam party (TDP) under the leadership of Chandrababu Naidu. On the one hand, Naidu over turned the legacy of NTR the founder of the TDP by removing many of his pro- poor rural policies – which were beneficial to small farmers, in order to curtail expenditure . His 'Janmabhoomi' programme which has been described as the social aspect of the reform, was aimed at improving the quality of rural life and increasing the participation of people in local planning, but provided little help to small farmers. On the other hand, the efforts at re-structuring the Andhra economy with a loan of \$ 543 from the world Bank based upon the "Vision 2020" plan concentrated on the urban areas and industry, the engines of growth identified include "pharmaceuticals,' mining, labour intensive, export oriented units, contract farming, tourism and information technology.<sup>2</sup>

The study shows that the suicides by farmers in A.P. are the combined result of increasing globalization of agriculture following the SAP and the crisis of agriculture in the state. The issue of farmers suicides has also acquired political salience. During the Lok Sabha and Andhra assembly

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<sup>2</sup> The World Bank Loan, "Babu's Vision: Andhra's Economy runs for take off" Times of India, New Delhi August 1998.

elections 2004 opposition parties claimed that over 3000 farmers had committed suicide in the last four years in the state.<sup>3</sup> They alleged that farmers were affected by market forces, while at the same time bearing the burden of heavy agricultural loans. Not only was it a major factor in bringing the Congress back to power in Andhra Pradesh, it has led to a major rethink an agricultural policy by many state governments as well as by the Central government. As a result public expenditure on agriculture forms an important component of the common Minimum Programme (CMP) of the new Congress- led coalition government at the Centre.

Suicides by farmers are not a new phenomenon in the agricultural economy of Andhra Pradesh. There have been two periods in recent times when a large number of suicides were reported: 1996-98 and 2003-04. Between 1996 and 1998 large number of suicides by farmers were witnessed in Andhra Pradesh, Karnataka, Maharashtra, Punjab and Gujarat.

However, there are significant differences between these earlier suicides and the present ones in 2003-04. In the earlier period farmers growing only certain crops were affected. While in Andhra Pradesh the crop responsible was cotton. However, now the farmers committing suicide in Andhra Pradesh grow a wide range of both food and commercial crops.

Second, earlier most of the suicides in Andhra Pradesh were from Telengana, which is a backward district that historically was under the rule of the Nizam of Hyderabad, while in Rayalseema though a dry region,

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<sup>3</sup> W. Chandrakanth (2004), "Ryots., Reeling under Market Forces", The Hindu, New Delhi, 12 June.

agriculture has been better if not worst and the coastal district constitute a fertile and well-watered region with prosperous farmers. A study in the 1980s showed that rural poverty (per head) was highest in Telengana, the percentage of those below the poverty line reaching 70% in warangal and 80% in most of the coastal districts (Reddy 1989)<sup>4</sup> Thus, the problem was described as one being experienced by backward region, which had in the post-independence period been rejected in terms of public investment in agriculture and irrigation in particular.

The solution as in the past put forward was higher investment in agriculture in Telengana which the Naidu government as many before had failed to do. A third and significant reason is that in contrast to the earlier incidents, the present spate of suicides point to a much more "generalized agrarian crisis." Arising out of a neglect of agriculture. The report done shows suicides in 2004 have been reported from every district in the state barring Hyderabad. The number of suicides in 1998 as given in the official records was 108 in Telengana, 5 in Rayalseema and 16 in the coastal districts, while during 2004 they have risen to 140, 48 and 76 respectively.<sup>5</sup>

Thus, the 2004 the number of suicides have risen in number and spread spatially covering the state. Most important the coastal districts, that have enjoyed almost a century of prosperity since the colonial state created the anicuts on Krishna delta, have also experienced suicides. However, the common feature with the past is that the overwhelming proportion of the

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<sup>4</sup> Reddy and Rao, 2003 "Trends and Determinants of Poverty", EPW vol. XXX VIII No.12 and 13 March 22-28.

<sup>5</sup> Rao Hanumantha 204. "Saving Small Farmers", The Hindu, New Delhi, June 2.

deaths is among the small and marginal farmers and tenant cultivators who have no rights on the land they cultivate, pay exorbitant rents to the landlords and need loans to buy the more expensive seeds, chemical fertilizers, water and power (Hanumantha Rao).<sup>6</sup>

The reasons lie in the changes that have taken place in the agricultural sector in A.P. Much literature points out that agricultural growth decelerated in the state during the 1990s. From an output performance of 3.5 percent per annum during the 1970s and 80s, the growth rate has slipped to 2.3 percent per annum.

This deceleration is seen in relation to all crops and is mainly attributed to declining public investment in agriculture during the 1990s. The growth rate of investment decelerated from 6 percent per annum during to 2 percent per annum during the 1990s, mainly due to decline in public investment in agriculture (Subrahmanyam)<sup>7</sup>

The new National Agricultural Policy announced on 28<sup>th</sup> July 2000 by the NDA government was designed in keeping with the changes taking place in the international economy and corresponding ones within the Indian economy. (Union Ministry of Agriculture, 2000).<sup>8</sup>

A National Seed Policy which would stimulate investment and initiative both in the public and private sector leading to a vibrant seed policy; National watershed Development projects; technology mission for horticulture in North East region; promotion of food processing; rural

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<sup>6</sup> Subrahmanyam, 2003, "improving heogram Delivery." Seminar No.541-49-54.

<sup>7</sup> Union Minister of Agriculture, 2000.

<sup>8</sup> Common Minimum Programme, 2004.

electricity and increased irrigation facilities for farmers; generating exportable surplus etc. are some of the highlights of the new policy.

The major thrust of the policy is towards modernization of the agriculture sector through improved infrastructure, establishment of databases, research, use of biotechnology and introducing quality consciousness among farmers. In short, the role of the state is not of a protector and provider of the farming sector as in the past but that of a facilitator for promoting faster agricultural growth.

The new policy does not mention land distribution or any measures to help small and marginal farmers, tenants and landless agriculturists. The purpose of the National Policy, it seem from the document is to make agriculture an industry.

The Congress-led UPA government installed after the 2004 Lok Sabha elections has promised that public investment in agricultural research and extension, rural infrastructure and irrigation will be stepped up in a significant manner at the very earliest. Irrigation will receive the highest investment priority and all- on going projects will be completed according to a strict time schedule. The delivery system for rural credit will be reviewed. Immediate steps will be taken to ease the burden of debt and highest interest rates on loans. Crop and livestock insurance schemes will be made more effective (CMP, 2004)<sup>9</sup>

While these policies are for the whole country, in Andhra Pradesh, the Naidu government took certain steps, which were of importance for the

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<sup>9</sup> Official Record of Andhra Pradesh.com.



agricultural sector in the state. The state faced a financial crisis when Naidu took over as C.M. in 1995 due to a number of welfare measures introduced by NT Rama Rao for the "Really poor" in the 1980s and the early 1990s. Consequently, there was not enough money in the state treasury to pay salaries/wages and there was constant borrowing from the RBI.

Describing them as part of the ongoing attempt at fiscal discipline, Naidu undertook a number of harsh steps in the form of increase in power tariff, water rates and bus fares, reduction in rice subsidy, increase in profession tax and turnover tax on trade etc.

The goal was to put the state's finances on a 'sustainable path', Naidu held, "We want to create a permanent shift in public expenditure in favour of critical sector." Many of these steps have affected the smaller farmers for whom they were critical, as they are poor and heavily in debt.

Secondly, the government encouraged farmers to shift from food to commercial cash crops and agro industry by various policies/ incentives dealing with HYV seeds etc.

The government set up various projects such as Agricultural Human Resources project involving scientists from agricultural universities in the state, funded by the World Bank costing Rs.83 crores. These measures together with the shifts that globalization of agriculture introduced played a crucial role in the farmers' suicides in Andhra Pradesh.

## CHAPTER-IV

### FARMER'S SUICIDES IN ANDHRAPRADESH: A CASE-STUDY

Farmers suicides has become a phenomenon in the recent past. This news have been hitting the headlines national and regional newspapers. Number of research studies has been undertaken already on the subject with varying perspectives. There are certain studies that are based on explaining the background of farmers' suicides from a macro-economic analysis of agrarian conditions and there are other studies based on empirical data. However, these are studies trying to explain the phenomenon of farmers' suicides in particular pockets of the country where suicides have taken place at a given point of time. The present chapter is to understand the socio-economic background of the suicide victims in the context of the changes that are taking place in the macro level agrarian scene.

"Once the God of rain wanted to take a break. Thus, the rain God went to the Super God and demanded leave for ten years. After a long argument finally the demand was conceded. It was also widely made known that there won't be any rain for next ten years. However, the Super God was curious to know what is going on the earth without rains. He landed in a village. One old farmer was busy ploughing his land. The super God thought that this fellow must be stupid that he is preparing the land in spite of the fact that there won't be any rain for ten years. It raised further curiosity in the Super God. Thus, the Super God asked for an explanation. The farmer restarted back

saying, " I still hope that it will be raining after ten years. If I don't do any work for ten years I may forget agricultural operations. That is why I am ploughing to keep in touch with the soil." Learning meaning this the Super God felt ashamed and cancelled the leave of the rain God."

This is a mythical story that we heard from an old farmer in a remote village of South India. But yet this story is cited to derive the point that farmers are so devoted to land and live in hope beyond hopelessness. If such farmers are committing suicide in India that is supposedly modernizing on the basis of liberal-humanistic values and a 'vibrantly globalising economy', it is a serious problem that calls for the attention of entire polity and society.

Suicide deaths in general may occur on account of economic, social, cultural and psychological factors and have been occurring across space, time and cultures. But suicides among farming community in this particular juncture of 'Development' in a phenomenal scale cannot be just dismissed as something general.

Though the incidence of suicides has been significant in Andhra Pradesh, it has been reported in different parts of the country since late 1990s. Farmers suicides have not been associated with any particular crop alone, but with many crops like cotton oilseeds, paddy, maize, potatoes and so on. The state of agriculture in India resembles a situation in which field increasing technology without development of adequate infrastructure credit, power extension, input supplies, marketing, irrigation is super imposed on an agrarian structure where land institutions are not rationalized.

Now it is an established fact that the spread of new agricultural technology, which has not only widened the regional imbalances but also disparities among different farm size and class of farmers.<sup>1</sup> Small farm still lag far behind in adopting new technology and realize only reasonable margins in productivity and profit. The problem is more intensive in semi-arid zones. Adoption of market driven commercial and mono cropping culture has led to severe stress on local resource base. The declining capital formation, public investment, share of agriculture in Gross Domestic Product (GDP), the adverse terms of trade, falling return-costs ratios are some of the disturbing trends, which emerged on the agrarian scene in India. India that can boast about self-sufficiency in food production now is wrought with severe problems in terms of sustaining the achievements. Currently emerging situations faces more distortions in the phase of globalization.

From the middle of 1990s there has been an all round crisis in agriculture owing to increasing cost of production<sup>2</sup>, falling output prices, inadequate markets and on top of all these the liberal policies of importing agricultural products in India. For the first time in India, outputs as well as prices are falling at the same time. In the past whenever there is falling production the output prices will go higher and vice-versa. But at present owing to changes under WTO regime unprecedented things are happening against the farming community. For example number of agricultural commodities mentioned above are put on the open General list (OGL) of

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<sup>1</sup> . Bhalla G.S. and Tyagi G.S.; 1989, "Patterns in Indian Agricultural Development".  
<sup>2</sup> . Over production in relation to market demand and procurement, G.S. Bhalla.

imports. Import tariffs on such commodities are also substantially reduced. For instance the import tariff on edible oils was reduced from 25 percent to 15 percent. A number of these commodities-maize, pulses, oil seeds, coconut and rubber, for example are imported at subsidized costs under the OGL (see Menon 2002 for details of general crisis in agriculture in different states of India)<sup>3</sup>

### **Perspective on Farmers' Suicides In India:**

Some of the top officials of Directorate of Agriculture and Commission rate of Agriculture in Andhra Pradesh and few academicians expressed their views on this issue:

There is no need to consider suicides among farmers as a separate category as it is part of the general incidence of suicides among other segments of the population. In other words, when suicides among other sections of population is not considered as an issue why to consider farmer's suicides as something different?

Suicides take place not because of crisis in the farming sector but because of individual psychological problems.

Opposition parties make this as a big issue to gain political mileage.

The response of state government has been lukewarm this time round. During the phase of farmer's suicide in Telangana Region during 1997-98, the then Chief Minister Andhra Pradesh made a visit to Warangal and initiated certain adhoc measures. A relief package worth Rs.50 crore was announced. Payment of ex-gratia worth of Rs. 100,000 to deceased families, Rs.1, 250 per

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<sup>3</sup> . Nebib, Parwathi (2001) Round up from States, Frontline vol.18, Issue 02, Jan 20-Feb 02.

hectare of cotton Rs. 1000 per hectare of red gram, rescheduling of institutional crop loans enhancing the price of cotton to Rs.2,200 per quintal (Citizens Committee Report, 1998) were some measures initiated.

However, at present the Andhra Pradesh government responded by silence to the continuing spate of suicides in Anantapur district, Telengana district and other parts of the state.

There are number of other scientific studies done on the issue of farmers suicides, many of them pertaining to earlier bout of suicides among farmers in Telengana region of Andhra Pradesh. These studies have linked the phenomenon of farmers suicides generally to agrarian crisis particularly to crop failure, sourcing prices of inputs, substandard seeds and pesticides, failure of institutional credit, inter linkage of product and credit markets and non remunerative prices.<sup>4</sup> Irrespective of the region and climatic conditions there is a feeling of insecurity due to crop failure and land alienation indebtedness. Thus, this has resulted in a series of suicides by farmers in different parts of the country.

G Parthasarathi and Shameen (1998) studies suicides based on an analysis of secondary data related to rainfall, irrigation, production, yield and prices in Warangal district where 69 out of 174 farmers suicides cases were reported during 1997-98. The study has highlighted the agrarian crisis of farmers and also the declining institutional credit framework. Fall in institutional credit and increasing dependence on moneylenders is also

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<sup>4</sup> Subrahmanyam Sekhar (2003) – Agricultural Growth: Pattern and Prospects, EPW, March 22-28 April 04. Vol.XXXVIII.

highlighted in the study. It is stated that the context of farmers' suicides is one where farmers have lost on all fronts. However, according to the authors this alone does not entirely explain the suicides. It has left the issue of understanding the social milieu in which an individual gets alienated from the family and the society for further research.

A study conducted by AWARE (1998), an NGO in Andhra Pradesh, has presented empirical data relating to farmers suicides in Andhra Pradesh. The study has covered 17 districts in A.P., focusing on Telangana districts where the incidence of suicides are very high during 1998-99. Totally a sample of 92 out of 307 reported cases of suicides has been covered under this study. This study provides a good database on the deceased farmers and their households. Generally, this study has highlighted the distress conditions of farmers that led them to commit suicide.

The citizen Report (1998) has done a detailed analysis of agrarian situation in the country as well as in Andhra Pradesh. Based on the study of 50 cases of deceased farmers in Telangana district the study has concluded that the new agricultural technology initiated in mid-sixties on irrational land tenures though helped in raising production in food grains, it laid severe pressure on crucial resources like soil and water in the semi Arid region like Telangana. In the second phase the expansion of commercial crop fields, super imposed exploitative input and output linked markets have highly destabilized the small farm economy culminating in large scale suicides.

Farmer's suicides in the case of cotton crop is linked to the imposition of Genetically Modified Seeds and poor response of pesticides towards pest control. Spurious fertilizers and pesticides also led to the death trap of farmers. There are number of studies linking pesticide that was ineffective and spurious to failure of crops and resulting debt trap and farmers suicides in Telengana district.

While these are the perspectives that emerge from certain empirical studies and analysis of agrarian situation, the state government especially in Andhra Pradesh is taking an indifferent attitude stating that agrarian crises is not the only factor for suicides. However, the emphasis is more on other factors (personal and social) than agrarian distress.

Some of the studies have clearly brought out the role of usurious moneylenders and trading middlemen. It is found, that the farmers especially small and marginal are in the clutches of moneylenders. However, it is noted that the moneylenders emerge as main credit providers to the victims families. This is attributed to the preference of victims families for borrowing from the moneylenders and informal sources despite the fact the rate of interest is exorbitant.

It is further noted that this is happening because of the cumbersome procedure followed by the formal credit institutions or their process of repayment. This is a very naive understanding on the farmer's dependence on non-institutional sources of credit. It is not by preference that they are going



to moneylenders but because they are forced to as the doors of institutional credit are closed to them.

Therefore, Agrarian distress caused in the districts of Andhra Pradesh is a fact. Farmer's economic problems mount so also their social causes that lead to depression. Debt trap in which the farmers are caught is one of the basic reasons for such consequences. Farmers do not have a system where they can throw up their hands and declare insolvency and happy sit back.

Farmers do not have any access to Debt Relief Acts as industrialist do. Indebtedness is a matter of personal shame and not a business phenomenon in the case of peasants. We do not hear about suicides of industrialists if they are undebted. They simply give insolvency, as it is part of the system of protecting them. Farmers have no such access within the close village community as they dependent on non institutional credit.

## IN CONTEXT OF GLOBALIZATION

There are certain factors that are unique to the current state of health of the rural economy in India since 1990s. These have to do with the WTO regime and its implementation by India, especially in the last three -four years, This amounts to removal of protection we hitherto had for our agriculture.

Earlier controls on exports and imports of agricultural commodities have substantially gone now. This phase has started with removal of quantitative restrictions (QRs) on import of agricultural commodities. This has resulted in exposing our agricultural producers to volatility of global

prices. The argument for unrestricted trade is that the producers would be better in the long run. However, the experience is otherwise. In spite of the fact that many of the developing countries have comparative advantages and specialization in certain primary products, these countries were not able to benefit by unregulated export thrust.

Most of the developing countries being in tropical and sub-tropical regions of the world their agricultural capacities are much larger compared to developed countries that are located in the temperate regions of the world though only one sixth of the population lives in western Europe and North America, they account for 80 percent of the world income and corresponding purchasing power. This restructures the cropping patterns in developing countries whenever they open up their frontiers and dispense with protection for agriculture.

Export thrust in production being one of the unimportant components under the structural adjustment policies has always been accompanied by fall in food production.

Patnaik (2001) cites the case of six most populous countries in sub-Saharan Africa as an example. These countries went for a highly successful primary export drive in the 1980s, under structural adjustment programme. In these countries the primary exports were growing between 6 and 13 per cent per annum and at the same time the per capita cereals output declined by about 20 percent.<sup>5</sup>

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<sup>5</sup> S. Mahendra Dev and C. Ravi, "Macroeconomic Scene: Performance and Policies, EPW, March 22-29, 2003, page 1143. (Based on NSS and census data).

However, owing to competition among more than 80 countries competing against each other with an export thrust in similar products, the international unit price of primary commodities sharply declined in the 1980s and continues to decline in the 1990s. Added to this is the competing devaluation of their respective currencies by these countries that led to negligible foreign exchange earnings, though there has been a significant growth in export of primary products.

Now in India, farmers who are producing certain crops for the international market are facing the crisis under the WTO regime. Cotton crop is a case in point.

When global prices were high for cotton, several thousands of small farmers took loan and they even leased land when they did not own enough. With the increased demand for seeds and pesticides, dealers of spurious seeds and pesticides entered the market in the absence of regulated supply of these inputs. It has led to complete debacle because of drought conditions and uncontrollable pests leading to low yields.

Moreover, as the institutional credit has been curtailed under the structural adjustment programme, increasingly farmers are to depend on private sources of credit at high rates of interest.<sup>6</sup> In fact, when reports on farmers suicides started appearing in the media, the Andhra Pradesh state government called for "mid term corrections" in the WTO regime and demanding a White Paper on the impact of the WTO on Indian Agriculture.

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<sup>6</sup> Rao Hanumantha, V and others., Andhra Pradesh at 50: A Data Based Analysis, Data News Features Publications, Hyderabad, 1998.

Also the Andhra Pradesh Chief Minister has suggested during a National debate on the implications of the WTO regime that indiscriminate import of rice, edible oils and other produce and inadequate procurement by the FCI were responsible for the problem. (Menon 2001)

It seems the most damaging impact of import liberalization has been on the oil seeds production, Government of India has taken census to boost the oil seeds production since mid 1980s and the total production of nine varieties of oil seeds production since mid 1980s and the total production of nine varieties of oil seeds more than doubled from 10 million tones in 1980 to 20.5 million tones in 2001-02. Edible oil consumption increased from 3.3 million tones to 5.4 million tones in 1993-94. It has reached a situation of self-sufficiency in edible oil within a decade. However, now under the liberalization regime, India has become the biggest importer of edible oil in the world. Cheap imported edible oil in the last five years have had a direct impact on oilseed prices, which have registered a sharp fall. (Government of India, Economic Survey figures 2002-03).

#### **Farmers who Are More Affected:**

The resource poor, medium, small and marginal farmers and other farmers in exceptional cases are already under the attack of capital from outside (seed, fertilizer pesticides and so on) and capital from within (traders, moneylenders and other middlemen). The marginal, small and medium farmers under the following conditions feel this precipice effect more.<sup>7</sup>

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<sup>7</sup> . The issues of the Congress presented here are from report on the Congress made by V. Sridhar, Frontline volume 18-21, Oct 13- 26 2001.

When the terms of trade between industry and agriculture shifts beyond a critical point, pushing larger numbers of small and medium farmers into indebtedness, dependence on the larger ones or worse still to bankruptcy.

Bad monsoon and successive crop failures. Where crops (eg cotton, pulses, allseeds, tobacco, sugarcane etc) are involved, whose prices are not very regulated and are volatile or vulnerable to unexpected downward pressure brought about by the manipulations of government through imports or of traders.

Where crops under relatively free market conditions (eg. fruits vegetables and other perishable are involved).

Where it is not possible for small and medium farmers to harvest and they are forced into distress sale.

The above conditions are applicable all over the country and these conditions exist in the areas where farmers suicides are reported. What is still worst is that if farmers are affected in one season that burden is carried on to subsequent years and they are caught in a debt trap. Added to this is the pressure of expenses on non-farm heads.

#### **State of Agriculture In Andhra Pradesh:**

Available information on the state of Agriculture in Andhra Pradesh shows that agricultural growth is decelerating during the 1990s. From an output growth performance of 3.5 percent per annum during the 1970s and 1980s, the growth rate has slipped to 2.3 percent per annum in Andhra Pradesh. This deceleration is seen in relation to all major crops. This is mainly

attributed to declining public investment in agriculture during the 1990s. The growth rate of investment in agriculture.<sup>8</sup>

According to Dev and Ravi (2003), the trend in employment growth in Andhra Pradesh declined drastically in 1990s as compared to the decade of 1983 to 1993-94.<sup>9</sup> The decline has been higher in Andhra Pradesh compared to All India.

Deceleration in urban employment growth is drastic in Andhra Pradesh. This implies that the avenues of migration to urban areas from rural areas in search of employment to overcome the agricultural crisis is narrowing fast.

**Table: The Trend in Employment Growth In A.P.**

Employment Growth Rate Per Annum In	1983 to 1993 to 1993-94	1993-94 to 1999-2000
Rural A.P.	2.4	0.29
Urban A.P.	4.28	0.01
All India (Rrual)	1.73	0.67
All India (Urban)	3.34	1.34

Source : S. Mahendra Dev and C. Ravi, " Macro economic ocene: Performance and Polices, EPW, March 22-29, 2003. (Based on NSS and conous Data).

Along with deceleration in the growth rate of employment, growth rate of real wages also has been declining during 1990s compared to 1980s in Andhra Pradesh. "In the 1980s, the real wage rates increased substantially in A.P. at 5.60 percent per annum for males and 4.83 percent for females. In the

<sup>8</sup> A report by V. Sridhar, p. op.cit.

<sup>9</sup> K.R. Choudhary et. Al 1998, Distress of Farmers X-Rayed: A Case of Andhra Pradesh, Hyderabad.

1990s there was a declining stagnating trend in the real wage rates at a growth rate of 1.23 for females<sup>10</sup> in Andhra Pradesh.

It is imperative that we understand the phenomenon of farmers suicides in the above content of agrarian economy. Before going into the aspects of farmer's suicides it is necessary that one should have a look at what has been the general understanding on suicides.

### **Understanding Suicides:-**

The International Association of Suicide Prevention (IASP) held its 21<sup>st</sup> Congress in Chennai during September 2001. Various issues with regard to understanding suicides and prevention were discussed in the Congress.<sup>11</sup>

Dr. Diego De Leo, psychiatrist and president of the IASP, explained that the understanding on suicides has come a long way from the early 19<sup>th</sup> century view that equated suicidal behaviour with insanity. "Two concomitant revolutions in the late 19<sup>th</sup> century - one in the field of sociology, associated with Emile Durkheim and the other, the psycho analytical movement led by Sigmund Freud - have been synthesized in the modern view of suicide and suicidal is a universal phenomenon, the rate vary across countries, "Social and cultural variables amplify any biological and psychological predisposition a person might have."

Thus, the causes for suicide are "multi-factoral, inter linked and progressive over time, pushing an individual through stages of helplessness, hopelessness and worthlessness." Suicide has been identified as a 'Social fact'

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<sup>10</sup> . A.R. Vasani 1999, Agrarian Distress-Market, state and suicides, EPW, August 1999.

<sup>11</sup> . G. Parthasarthy Shameen 1998, Suicides of Cotton Farmers in Andhra Pradesh: An Explanatory Study EPW March 1998.

in need of explanation in terms of other social facts. In his holistic approach, Durkheim sought to explain suicide as a social fact in terms of social distribution, avoiding the individual explanation that might be afforded by psychologists.

Thus, Durkheim's framework of analysis provide a good ground for understanding of farmers suicides in India, especially his category of egoistic suicides provides a clue.

### **Suicides In India:**

In the IASP's 21<sup>st</sup> congress, a paper presented by Nagaraj brings to open certain important facts on suicides in India.<sup>12</sup> While the suicides in rates have been decidedly higher in the southern states, the variation across the country has been diminishing in the recent years. The important fact brought out in Nagaraj's paper is about the suicide rates among those who declare themselves totally unemployed. More importantly, suicides rate raise dramatically as the duration of unemployment increases - the rates among men in the age group of 45 to 59 is shocking 1812 per 100,000 persons and among women, nearly 520. This paper clearly brings out the fact that suicides are very much related to economic factors.

### **FARMER'S SUICIDE : A CASE STUDY OF ANDHRA PRADESH:**

From late 1990s till date suicides are continuing unbated in Anantapur district that falls under the Rayalaseema region of Andhra Pradesh. Thus, in order to understand the phenomenon of current dynamics behind the suicides,

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<sup>12</sup> . Siddhartha 1998, suicides in Andhra: Liberalization's Death Trap for Farmers, Liberalization July 1998.



analysis of various factors is imperative. The cases of farmers' suicide is decided on the basis of reasons given as crop failure in the case of analysis. In many other cases the reason for suicide is stated to be heavy debts. Obviously many farmers committed suicide because of accumulated debts and crop failure as per most of the reports available on these cases. Moreover, the authorities have only taken into account the current years crop failure. Thus, the proportion of suicides among farming community owing to heavy debts and crop failure is more than 50 percent of all the reported cases, and suicides are continuing till date in the state. Weeding about the nature of droughts and famines in Anantapur district, reference is made to a temple inscription and to colonial record that have remarked about severe drought conditions in Anantapur district during 14<sup>th</sup> and 15<sup>th</sup> centuries A.D. respectively (Government of Andhra Pradesh, p.951,, 1970).<sup>13</sup>

"The district is unfortunately vulnerable to famines. It lies in the heart of the famine zone with an exceedingly light rainfall, poor soils and precarious irrigation sources. Being far away from Ghats, it does not derive the full benefit of either of the monsoons and thus no year passes without some concern to the agriculturalists. Some of its famines have become almost legendary. Even as inscription in the Narasimhaswamy temple at Kaire refers to a famine in A.D. 1390-91 and optimistic its severity in observation that enumerable skills were rolling about the paddy could not be had even at the rate of "10 Nali per panam" (Nali is small measure. Panam is coin) of the two

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<sup>13</sup> Muzaffar Assadi, 1998, Farmers Suicides-Signs of Distress in Rural Economy, EPW April 1998.

famines that rawaged the entire Deccan during the 15<sup>th</sup> century, the second was described by Ferishta as excessively severe as "for two years no grain could be sown and in the third when the Almighty showered his mercy upon the earth, scarce any farmers were left to cultivate the land."

It seems that history is repeating in Anantapur district with a different dimension. Droughout and famines are not something strange to the people of Anantapur. However, farmers suicides are not confined to Anantapur district alone but also reported in cudappah and Kurnool, which fall under the Rayalseema regioin of Andhra Pradesh. Thus, this whole belt seems to be prone do farmers suicides and this phenomenon cannot be brushed under the carpet a something taking place in general in the society. It is necessary to consider this as an exclusive phenomenon.

Farmers' suicides have been reported in Anantapur district since 1997 and it continues till data. Farmer's suicides reported in other parts of the state as well as in the country were operadic. The case of Anantapur, Telengana is usually distressing.

As already mentioned drought condition is not something strange to Anantpur as this is one of the two districts in the country having lowest rainfall. Thus, low rainfall and drought conditions alone do not explain why farmers should take recourse to such extreme step. It is important to examine the nature of agriculture and changes that are taking place in farming as a whole that pushes certain farmers to take the extreme step.

## Suicides In Telengana And Rayalseema:

Telengana and Rayalseema are two regions in which a number of suicides have occurred both in 1997 and more recently in 2004. Most of those who committed suicides are small farmers. Both Telengana and Rayalseema are regions with many districts with smallholdings, which are under terrible pressure owing to dependency on the market, and non-institutional forces that centered various inputs and output markets. Within these two regions districts: Warangal in Telengana and Anantapur in Rayalseema are the most vulnerable.

A number of suicides on these two districts-warangal and Anantapur-enable us to understand the reasons underlying the suicides in Andhea Pradesh and the rest of the country. The records of the district administration in Anantapur district show that there were 226 suicides in the district during 2000-01 to 2001-02, 41 of which were in 2000-01 (NIRD, 2004:21)<sup>14</sup> Figures provided by P. Sainath are higher. His study shows that between 1997 and 2000, 1826 people committed suicides most of which were farmers.<sup>15</sup> The underlying factors in both districts are two fold : changes in the government's policy towards agriculture leading to a shift in cropping patterns which have proved unsustainable and second, failure of delivery systems leading to breakdown of the agrarian economy.

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<sup>14</sup> Centre for Environmental Studies Warangal 1998, CITIZENS' REPORT "Gathering agrarian crisis farmers' suicides in warangal district" (Andhra Pradesh) India.

<sup>15</sup> Patnaik Utsa (2001). Export oriented Agriculture and Food Security: in Developing Countries and in India, from a Edited Book. The Long Transition: Essays in Political Economy, Tulika Publishers, New Delhi.

A central reason visible in both areas since the mid 1980s and more particularly since 1991 are changes in government policy and market signals. This has led to shifts in the cropping pattern leading to mono cropping and therefore dependency on a single commercial, high risk crop, good examples pertinent to our study being cotton and groundnuts.

The opening up of the economy to the global market forces has changed the framework of decision making for farmers in Andhra Pradesh as elsewhere in the country, particularly in regard to choice of crops. The liberalized policies, which are geared towards creating a pan-Indian primary commodity market with a unified price in alignment with global prices, have worked against the interests of the farmers, especially small farmers. Expectation of more export opportunities and higher world prices for many agricultural commodities led many farmers to move from 'secure' subsistence food crops to high risk cost cash crops for the market.

A study shows that 80 percent of farmers growing cotton in Andhra Pradesh have taken up its cultivation only in the last five to eight years. This shift was a direct result of encouragement in fact patronage of the government which led many small farmers to take a gamble with this 'white gold' which they saw as a means of improving their life condition.

Many farmers who took this risk had small plots, heavy indebtedness due to shift to cotton and no other resources to fall back upon. The shift from food to commercial farming was not any easy step.

While these are risks faced by commercial farmers all over the country, certain factors with Andhra Pradesh and particularly the Telangana region made the plight of the farmer's worse. They highlight the government's neglect of agriculture while investing in other sector during a phase of reforms.

Beginning with the Green Revolution, the New Seed Policy of 1988 and now intensifying with the globalization of agriculture, there has been a shift by farmers from indigenous to hybrid high yielding seeds supplied by research institutions and sold by Multinational seed corporation which are then reproduced, then ceased and multiplied at the national level. This has made the farmers dependent upon them.

The Seed Corporation in Andhra Pradesh has helped in the spread of the new seeds as seen from its two aims : to provide high quality seed to farmers at reasonable price and to coordinate with the agriculture department in accelerating the spread of hybrid seeds of different crops to promote increased agricultural production.

At the same time in warangal there are seed shops which sell spurious seeds, but it is only after the suicides that the government has moved against them. Little has been done to check the sale of spurious seeds.

While the benefits of globalization go to the seeds and chemical corporations, the cost and risks are borne by the small farmers and landless peasants.

Neglect of public irrigation is an important reason contributing to the farmer's suicides, an aspect to which the Naidu government did not give importance under its Janmabhoomi programme. The irrigated area under cotton in Warangal was the highest in the mid 1980s (77.90%) and only about 43.60% in 1994-95.<sup>16</sup>

Drought was an important factor in the suicides as public irrigation has dwindled and private irrigation is very expensive. Institutionalized credit did not reach the farmers precisely when it was most required.

Similarly, Rayalseema is not a well irrigated area. While about 40% of the cultivated area in the region is irrigated in Anantapur district only 15% of the cultivated area is irrigated making it one of the drest areas of the state. The problem was compounded by the fact that for the last five years there has been deficient and erratic rainfall which has led to continuous failure of the groundnut and other crops.<sup>17</sup> The result is that the production of groundnut is not stable but is subject to great fluctuation yearly. The highest production was in 1995-96 but began to fall during 1997-98 when suicides began to be reported and was the lowest in 1999-2000.

Although the state has several Agricultural Market Committees, which are expected to act as procurement agencies and provide remunerative prices they are reportedly defunct. In 2002, a committee which conducted an inquiry into the phenomenon of suicides in the state, reported that these

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<sup>16</sup> Patnaik Usta (2001).

<sup>17</sup> Vidyasagar (1996) "New Agrarianism and challenge for left from a edited Book, class formation and Political Transformation in Post Colonial India, Oxford University Press, New Delhi.

committees were procuring an insignificant portion of the total produce in the state.<sup>18</sup> Moreover a study by the government of Andhra Pradesh showed that 55 percent of farmers are not getting the Minimum support price. In fact farmers are not getting what they spend on cultivation leave out profits.

The availability of credit is also an important factor in cultivation of cash crops like cotton and oilseeds. The system of rural credit established by the 1980s involving the state cooperatives, Banks, District Cooperative Banks and the large network of Primary Agricultural Credit Societies financed by NABRAD has been beset by many problems such as low recovery but also in efficient management systems and politicization of cooperatives. Equally important is the withdrawal of Banks from agricultural lending after the Narasimhan report in 1993 recommended a focus on profitability and prudential norms.

Consequently existing banks are averse to lending to small farmers while the new generation private Banks established in the 1990s following liberalization hardly have any rural branches.

Consequently in states as Andhra Pradesh where cash cropping is high, besides their own resources. Most farmers in Warangal and Anantapur districts during the 1990s borrowed money on high interest rates from 'arthies' private money lenders, commission agents and dealers who also provide them with seeds, fertilizers, pesticides on credit.

Another important reason hence for the suicides was the debt trap in which farmers in Anantapur found themselves. The burden of crisis has fallen

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<sup>18</sup> Government of Andhra Pradesh, p.251, 1970.

largely on small and marginal farmers. Commercialization of agriculture and high rents means that small farmers are unable to bear even small failures of their crops and this throws them into even further debt.

A survey by the Andhra Pradesh government based on a survey of 4754 farmers spread in 5 districts of the state showed more than 60 percent farmers committed suicides.



## CHAPTER-V

### CONCLUSION

This study has been undertaken to analyse the agrarian economy in India and changes it underwent with the advent of globalization, structural adjustment programme in 1991. How far this is responsible for rural plight, farmers suicides, leading to the emergence of reasons for supply side failures and decline in demand.

The study shows that globalization led to faulty state policies to check fluctuations and instability in prices of farm produce. Liberalization generating vulnerable linkages between international and domestic markets, failure of credit, free market and the role of non institutional credit for the procurement.

These are the important factors that are unique to the emergence with the process of globalization, liberalization in 1991 and the current state of health of the rural economy. These have to do with WTO regime and its implementation by India, especially in the last five years. This amounts to protection we wither to had for our agriculture.

At the macro level it is observed that on the field increasing technology without development of adequate infrastructure (credit, power, extension, input supplies, marketing, irrigation) is super imposed on the agrarian structure where land institutions are not rationalized. Now it is an established fact that the spread of new agricultural technology, which has, not only violened the regional imbalances but also disparities among different size classes of farmers. Small

farms still lag far behind in adopting new technology and realize only reasonable margins in productivity and profit.

The problem is more intensive on semi arid zones. The declining capital formation, public investment share of agriculture in gross domestic product, the adverse terms of trade, falling return costs ratio are some of the disturbing trends which emerged on the agrarian scene in India. This already emerging situation faces more distortions in the phase of globalization.

Suicides among farmers cannot be just dismissed as something general. Though the incidence of suicides has been significant in Andhra Pradesh, it has been reported in different parts of the country since late 1990s. Farmers' suicides' has not been associated with any particular crop alone but many crops.

These suicides should not be viewed as a social problem; rather they are the product of under linked developments in the economic policies over the last decade, that have impacted on agriculture, globalization of the economy due to structural adjustment program and the failure of the state to deal with the pressure of increasing commercialization of agriculture. Thus, globalization and commercialization of agriculture, both of these have impacted in greater measure on the smaller farmers leading to suicides in many states, the largest number being in Andhra Pradesh.

Globalization of the economy in response to new fiscal and trade policies initiated under the SAP in 1991 has created closer linkages between the Indian and international agricultural economy, particularly marked in case of cash

crops. This led to greater dependency on market forces; import of agricultural products has removed the earlier protection enjoyed by the home market; while the opening up of the export opportunities means that decisions made by farmers are being determined by changes in the international economy. The new Agricultural Policy 2000 drafted by the NDA government sought to take these processes further. These shifts have been complimented by changes in the international economy due to trade agreements made at the WTO.

Against this backdrop the precious two decades have also witnessed increasing commercialization of agriculture, a process that began with the Green Revolution and quickened due to globalization. This has been paralalled by the inability of the state to devise the required policies and programmes to help farmers to deal with this complex process.

On one hand, there has been retreat of the state during in the 1990s from public investment in agriculture and gradual removal of the protection that the farm sector enjoyed under earlier policies of control and support pricing.

On the other hand, the state has failed to ensure delivery of essential inputs at affordable prices to farmers so that they can take advantage of these change in the economy. While the state has encouraged farmers to take to commercial cash cropping it has failed to provide them the crucial support structures required during a period of transition from a closed to an open and competitive economy.

These developments have particularly affected the small and marginal farmers and tenants who unable to deal with crop failure and repayment of loans have taken resources to suicides. The major disability of such farmers is that the small plots they own have grown smaller over time due to sub-division. This has not been made good by improvements in the quality of land through provision of public irrigation. In the initial years small and marginal farmers benefited from the development of irrigation through public resources. The decline in public investment in irrigation in the last two decades is responsible for a substantial erosion of the asset base. Studies also point out that such farmers have borrowed almost entirely from moneylenders at exorbitant rates of interest and rarely from institutional sources such as banks and cooperatives, which have dried up. Moreover, risk from crop failure has increased as agriculture for an individual farmer has become capital intensive, higher investment is needed in fertilizers and pesticides leading to borrowing by farmers who do not have investible surpluses.

The term process of globalization and commercialization of agriculture are particularly visible in the economy and polity of Andhra Pradesh. The Naidu government committed to liberalization of the economy took two steps, which affected the agricultural economy of the state. It undertook a course of fiscal correction to overcome high deficits by cutting public investment. At the same time it invested a considerable amount on identified "engines of growth" and upon improving urban infrastructure and information technology while

neglecting agriculture and the small farmers leading to suicides by farmers in the state.

The increasing number of suicides by the end of the last decade and the growing realization that policies of globalization and liberalization were responsible, led to these issues becoming central in the 2004 state assembly election leading to the defeat of the TDP.

The 2004 her Sabha and state assembly elections paint to the unhappiness of the small farmers and rural poor. The CMP of the UPA coalition government at the center has promised greater investment in agriculture and other forms of support to farmers. A big push in public investment in rural infrastructure, including irrigation, research and extension in drought prone areas, is essential for making farming viable for small landholders and for the development of alternative sources of livelihood. More urgently there is a need to address the immediate problems of small farmers. They need to be rescued from the strange hold of moneylenders through a moratorium on debt and providing institutional credit.

More important, globalization of agriculture has significant implication for the democratic structure of the Indian polity. It will carry forward the process of increase in inequalities between states and regions, within states, as well as inequalities between big and small farmers; which began with the shift from the institutional to the technological approach in the 1960s and produced the green revolution. In fact beginning in the late 1970s a selves of rural welfare

programmes were begun such as the IRDP, SFDA, MFAL etc., which attempted to correct these distortions. A class of big capitalist farmers areas in parts of the country, coastal Andhra Pradesh being a good example, which became the new power holders in the countryside.

Increasingly this class was able to corner all the economic benefits provided by the government-subsidies on water, power, seeds, fertilizers etc, which are meant primarily for the small farmers who could not afford to pay for them. This enabled them to generate surplus and more into agro industry.

The class of big capitalist farmers is clearly the section to whom the new economic policies are attractive and who are capable of export- oriented agriculture. Clearly new policies are required to stem the increasingly inequalities in the countryside arising out of globalization and commercialization of agriculture which do not augur well for our democracy.

#### **NEED FOR REFORMS WITH HUMAN FACE IN RURAL/AGRARIAN ECONOMY:**

Indian Agriculture is facing a policy paradox. Reforms in the agricultural sector are an important step towards increasing growth rates in the Indian economy and thus reducing poverty substantially. But many households are not in a position to share in economic growth because of their less asset base (few physical assets). Studies states that there is typically little mobility out of extreme poverty and many households remain poor for generations. Indeed,

less human capital studies and an inability to build up a minimum physical asset base play a key role in the under generational transmission of poverty.

Any credible broad based development strategy must therefore involve public policies aimed directly at promoting asset accumulation to chronically poor households.

Achieving reforms for the landless poor requires developing and applying credible coalition techniques that can then inform the design and implementation of programmes.

India should also introduce new institutions such as futures trading that can reduce market risk and promote investments. Further, to integrate the domestic market with world markets smoothly and manage trade liberalization more effectively. India needs institutions that can closely monitor movements in world and domestic prices and take timely and appropriate actions to avoid major shocks.

In summary, suggestions are initiated in few areas to put agrarian sector of India on a higher growth trajectory that would cut hunger, malnutrition, unemployment, poverty etc at a much faster pace than has been the case so far. The emphasis on investment with a human face that include and reach out to the rural poor and a reorientation of subsidies toward such investments, to be taken up seriously.

- A. India should increase investments in rural infrastructure and agricultural research and development, lending improved

technologies to farmers. Part of this expansion of pro-poor investments in rural India should be financed by reducing food and input subsidies making them available only to vulnerable groups.

- B. India should revise its social safety nets to create more employment in rural areas; help strengthen the human resource base through education, empowerment of women and build infrastructure.
- C. Water is going to be increasingly scarce. Investing large sums in new mega irrigation schemes may not be the best course of actions, but it is important to complete those in which a lot of money has already been invested. Managing water use through institutional changes such as water harvesting schemes in dry areas with local participation are likely to be more rewarding. Pace of reforms in irrigation and even power supplies for agriculture can succeed only if accompanied by suitable un-institutional reforms and technological reforms.
- D. Indian agriculture faces promising opportunities in production and marketing of high value livestock products, fruits etc. To exploit these opportunities India must "systematically" liberalize its marketing and trade policies to encourage vertical coordination between farms, firms and super markets.; facilitate increased flow of rural credit, especially to small holders.
- E. Trade liberalization in agriculture has the potential to bring such dividends to developing countries, including India. To realize this



potential, India must work toward establishing and strengthening a rule-based multilateral trading system through WTO negotiations.

In the event of major hurdles in WTO negotiations and a delay in reaching any substantive agreement, India should explore its second best options of reaching bilateral a regional free trade agreements with major developing countries in the region and beyond.

Further more, to exploit the full potential of trade liberalization, India should carry out “behind the border” reforms by streamlining its even domestic markets, institutions and infrastructure.

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