

PUBLIC DISTRIBUTION SYSTEM AND OTHER-FACTORS AS CAUSES FOR THE DECLINE OF PADDY CULTIVATION

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Chapter 6

PUBLIC DISTRIBUTION SYSTEM AND OTHER FACTORS AS CAUSES FOR THE DECLINE OF PADDY CULTIVATION

In addition to the cost and yield factors, certain other factors like the Public Distribution System of the state, high prices of land and price differences between lands under different crops, growing number of absentee land owners in the state and the extensive use of paddy fields for non agricultural purposes have also adversely affected the performance of paddy sector in Kerala. Role of these factors in the decline of area under paddy in the state is examined in the present chapter.

6.1. Role of Public Distribution System as a Price Stabilising Factor

The twin objectives of the Public Distribution System (PDS) in Kerala are to maintain price stability and to ensure the availability of essential commodities at reasonable prices to the consumers. Since Kerala is a food deficit state, in order to meet the ever growing food requirements of its population large quantities of rice and wheat are distributed through the PDS at subsidised rates every year. Annual import of rice on state accounts far exceeds the availability of rice for consumption from internal production in the state. During the year 1992-93 availability of domestic rice for consumption after allowing ten percent of the total output for seed, feed and wastage was 9.76 lakh tonnes while the amount of rice distributed through PDS amounted to 17.43 lakh tonnes. In addition to rice more than 2.5 lakh tonnes of wheat was also distributed through PDS in that year.

Kerala has a well established PDS which covers more than 95 percent of its population. As on 30-11-1993, there were 13,309 retail outlets for the distribution of rice and wheat to the 54.48 lakh ration card holders in the state.¹ Amount of rice distributed through ration shops in Kerala had increased from 2.40 lakh tonnes in 1961 to 16.49 lakh tonnes by the year 1993 at the compound growth rate of 6.21 percent per year. During the period 1971 to 1993, amount of wheat distributed through PDS had also increased substantially from 0.55 lakh tonnes to 2.19 lakh tonnes. In order to supplement the PDS, Kerala State Civil Supplies Corporation is also engaged in the distribution of rice and other essential commodities through a large number of Super Markets, Mini Super Markets, Maveli Stores, Haritha Stores etc.

The efficient operation of the PDS in Kerala has damp down the rate of increase in paddy prices and has prevented it from wide variations over the past years. During the period 1980 to 1992, while the whole sale price of rice had shown a two fold increase, prices of all other agricultural commodities in the state had increased more than three times. Again, while the whole sale prices of plantation crops, oil seeds and condiments and spices had increased at the annual rates of 8.52 percent, 8.56 percent and 11.02 percent respectively, rate of increase in the whole sale price of rice was only 6.34 percent (Table 6.1). The growth rate differentials between the price of rice and other agricultural commodities can be attributed to the efficient operation of PDS in the state.

A well developed system of public distribution that exists in the state has also played a key role in regulating variations in the price of rice over the past years. During the period 1980 to 1992, compared to the prices of other agricultural products, paddy prices are found to be more stable. Variability, measured in terms of coefficient of variation, of the whole sale prices of oil seeds, plantation crops, fruits and vegetables

1. Government of Kerala (1994), *Economic Review 1993*, State Planning Board, Thiruvananthapuram, p. 21.

Table 6.1
Annual Growth Rates and Variability of the Whole Sale Price
Indices of Agricultural Commodities in Kerala (1980-92)

Group of Crops	Annual Growth Rate	Variability
A. Food Crops	7.70	28.49
1. Food grains (rice)	6.34	23.04
2. Molasses	6.59	28.16
3. Condiments and spices	11.02	47.13
4. Fruits and Vegetables	7.69	30.88
B. Non Food Crops	8.55	35.02
1. Oil seeds	8.56	36.17
2. Plantation crops	8.52	33.04
C. All Crops	8.16	31.29

Source : Estimated from,
 SPB, *Economic Review 1988, 1993.*

and condiments and spices for the period are estimated as 36.17 percent, 33.04 percent, 30.88 percent and 47.13 percent respectively, but for rice it is found to be 23.04 percent only.

6.2. Land Prices and Decline of Area Under Paddy

Compared to all India level, density of population is much higher in Kerala. Per capita net area sown in the state during the year 1990-91 is estimated as 0.08 hectares while at the all India level it is found to be 0.17 hectares. Due to the increased pressure on land area, land prices are also found to be much higher in Kerala.

Huge sums of money coming to the state every year in the form of foreign remittances also push up land prices in Kerala. According to the Housing and Employment Survey -1980, 5.1 lakh persons had migrated either to other states or to foreign countries from Kerala.² By the year 1992-93 total number of emigrants from the state increased to 11.92 lakhs and 56.2 percent of them were foreign migrants. More than 95 percent of the total foreign migrants are employed in Gulf countries.³ From Arab region alone total remittances to Kerala amounted to be well over Rs. 10,000 crores during the period 1975-76 to 1987-88.⁴ Since land is a safe asset with fair liquidity in the state, a considerable portion of foreign remittances are used for the purchase of land which results in a hike in land prices. It is found that nearly 15 percent of the emigrant household savings have been spent for the purchase and improvement of land property.⁵

In Kerala land prices are so high that if interest on land value is added to the operational costs of cultivation none of the major crops cultivated in the state are

2. Government of Kerala (1994), *Report on Migration Survey 1992-93*, Department of Economics and Statistics, Thiruvananthapuram, p. 14.

3. *Ibid.*, p. 15.

4. Gopinathan Nair P.R. (1994), "Migration of Keralites to the Arab World" in, Prakash B.A. (ed), *Kerala Economy, op. cit.*, p. 108.

5. *Ibid.*, p. 110.

economical. For example, during the year 1989-90, total cost of cultivation per hectare of paddy fields in the state (including the interest on land value at 10 percent per annum) for the three seasons, Autumn, Winter and Summer are found to be Rs. 12,509, Rs. 12,740 and Rs. 12,482 respectively. However, during the same year the total value of per hectare output were only Rs. 7,952, Rs. 9,082 and 10,672 respectively showing negative profitability in all the three seasons. In the case of other seasonal crops and commercial crops negative returns are found to be still higher. As an example, during the year 1989-90, while the per hectare total cost of cultivation of coconut crop amounted to Rs. 43,752, value of per hectare output was Rs. 11,323 only.⁶ It shows that in Kerala land is not always treated as a means of production, but is regarded as an asset that can be used for speculative exchange. Therefore many speculative investors without any genuine farming interest have already entered the land market of the state to purchase land for the purpose of selling it later at higher margins. This observation is vindicated by the fact that after the crash of share market in early nineties, land prices in Kerala had skyrocketed.

Land prices are not only very high in Kerala, but it also show considerable variations according to the varieties of crops cultivated. Generally, price of land under paddy crop is found to be substantially lesser than the prices of land under other seasonal crops and commercial crops. During the period 1985-86 to 1989-90, average price of land under coconut crop had been more than three times higher than the price of paddy fields. Again compared to paddy land prices, average per hectare price of lands under tapioca and banana were 175.88 percent and 147.74 percent higher respectively during this period (Table 6.2). It is also observed that the prices of land under plantation crops and other garden crops are also much higher in Kerala compared to the price of paddy lands.

6. Per hectare costs and value of output for paddy and coconut crops are quoted from, Government of Kerala (1991), *Report on the Cost of Cultivation of Important Crops in Kerala 1989-90*, Department of Economics and Statistics, Thiruvananthapuram.

Table 6.2

Average Price of Land Under Paddy and Its Competing Crops in Kerala (1985-86 to 1989-90)

(Land prices in Rs./ha.)

Year	Name of Crops			
	Paddy	Coconut	Tapioca	Banana
1985-86	104470 (00.00)	359080 (243.72)	NA ---	267460 (156.02)
1986-87	105330 (00.00)	382290 (262.95)	299990 (184.81)	243700 (131.37)
1987-88	118860 (00.00)	361100 (203.80)	295400 (148.53)	216140 (73.43)
1988-89	113440 (00.00)	361530 (218.70)	304470 (168.40)	357470 (215.12)
1989-90	100190 (00.00)	381980 (281.26)	310000 (209.41)	NA ---
Annual Average	108458 (00.00)	369196 (240.40)	302465 (175.88)	268693 (147.74)

Note : Percentage differences in land prices compared to paddy lands are given in parantheses.

Source : Estimated from,

DES, Report on the Cost of Cultivation of Important Crops in Kerala (1985-86 to 1989-90)

The present analysis thus shows that the conversion of paddy fields to the cultivation of alternative crops in itself enhances land prices and thereby increase the property value of paddy farmers in the state. In this way land price differentials act as an inducement for the conversion of paddy fields. Relatively lower prices of paddy fields also attract speculative investors who purchase tracts of paddy fields and convert it into salable plots either by filling it with soil or by converting it to the cultivation of garden crops or plantation crops which would fetch them higher prices.

6.3. Conversion of Paddy Fields for Non Agricultural Purposes

The ever growing demand of land for non agricultural uses in a thickly populated state like Kerala and the comparatively lower prices of paddy lands had naturally led to the widespread conversion of paddy fields for non agricultural uses. Between the years 1975-76 and 1990-91 land put to non agricultural use in Kerala had increased from 2.53 lakh hectares to 2.97 lakh hectares showing an overall increase of 17.39 percent (Table 3.1). Eventhough data regarding the extent of conversion of paddy fields for the various non agricultural uses are not available, it is observed that throughout the state, particularly in suburbs and road sides, stretches of lands demarcated as paddy fields are being used for the construction of residential buildings, factories, commercial establishments, health and education institutions etc. It is found that out of the estimated eleven lakh houses built in the state during the last decade (1980-81 to 1989-90) more than half are built in paddy fields after filling it with soil.⁷

Again, in order to make country bricks mud from paddy fields with clayey soil is used which also leads to the destruction of paddy fields in the state. Every year after monsoon thousands of brick kilns mushroom in paddy fields in some regions of

7. Venugopal P. (1944), "Paddy Fields Fast Becoming Housing Plots", *The Indian Express (Kochi)*, February 16.

the state and they are left as worthless pits after summer. During the next monsoon, due to soil erosion, the fertile upper layer of soil from the adjoining paddy fields move into these pits making the nearby fields unsuitable for paddy cultivation. Owners of these infertile fields are left with the only option of selling their lands to the kiln owners.⁸ In areas like Amballur, Kodakara, Ollur and Marathakkara in Thrissur district and on the banks of the rivers Periyar, Meenichilar and Pamba in Ernakulam and Kottayam districts vast stretches of paddy fields have already been destroyed forever by digging out clay to make country bricks.

In a limited scale in some areas of the state, especially in Alappuzha and Kottayam districts, paddy fields are being converted for inland fish cultivation. With the objective to increase inland fish production and to create more employment opportunities in rural sector, the state government had established Fish Farmers Development Agencies (FFDA) in eleven districts during the Seventh Plan period. Encouraged by the technical and financial assistance rendered by this agency many paddy farmers in the state had started fish cultivation in their fields. Eventhough not in a big way it had also led to the decline of area under paddy in the state.

6.4. Role of Absentee Land Owners in the Decline of Paddy Cultivation in Kerala

Secondary and tertiary sectors of the state economy taken together contributes more than two third of the Net Domestic Product and absorb the lion's share of labour force in Kerala. A considerable portion of the workers employed in these two sectors and many of the emigrant labourers from the state own agricultural lands and retain it even if they are living away from their land holdings. Compared to plantation crops and garden crops seasonal crops in general and paddy crop in particular

8. Process of this transition is discussed in detail in, Davis N.V. (1995), "Paddy Fields that Would Yield Bricks", *The Indian Express (Kochi)*, January 25.

need proper care and personal supervision. Therefore the absentee land owners who possess paddy fields either keep it fallow or convert it for the cultivation of perennial crops that need only lesser care and supervision. Thus the decline of area under paddy in the state can be partly attributed to the growing number of absentee land owners in Kerala due to the expansion of secondary and tertiary sectors.

To sum up, the Public Distribution System in the state had played a key role in keeping paddy prices low by influencing the supply side of domestic rice market and thereby reduced the profitability of the crop. Again it had a positive role in keeping paddy prices relatively stable over the past years. Growing pressure on land and the resultant increase in land prices along with the use of paddy lands for non agricultural purposes had also led to the decline of area under paddy in the state.

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