CHAPTER - III

The emergence of Farmers Movements in India is due to the deliberate neglection of Agriculture in the new development Paradigm
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Agriculture, at the time of independence of India was a main source of livelihood for 93% of the population. Hardly 7% of the Indian society was deriving its livelihood from non-agricultural occupations. This is because the imperialist powers were not interested in the development of India as a society but they were only interested in looting the wealth of India to further the wealth of the British economy. In the process the Britishers exploited the resources of the Indian economy without bothering about the people of India. It is this which motivated the people of India to free the Indian society from the exploitative stranglehold of the Britishers. So the slogans of the freedom movement became swadeshi, self reliance and self-sufficiency. Mahatma Gandhi lead the freedom movement ably with eminent personalities who gave their shoulders to mahatma Gandhi to free India from the shackles of imperialism. The freedom movement of India became the torch bearer for the freedom movement across the globe, particularly in the continents of Asia, Africa and Latin America, who were the colonies of Britain and many of the European countries. The poverty of India was considered to be the deliberate pauperization of Indian economy only to further the interests of colonial masters. It was put before the people of India, that the country should attain freedom first from these exploiting colonialists, and then plan for the development of the country with self-rule, which can ensure the people of India with an opportunity to explore the possibility of bettering the livelihood of Indians.

As the economy of a backward country develops the share of primary sector in gross domestic product (GDP) declines. Accordingly the contribution of agriculture to GDP declines. This is borne out by the data, as the share of Agriculture in GCP at factor cost has registered a fall from 55.3 percent in 1950-51 to 17.0% in 2008-09 (at 1999-2000 prices). However this decline in the contribution of agriculture to GDP has not been accompanied by the decline in
Agricultural labourers. While in 1951, 69.5% of the working population was engaged in agriculture.¹

According to the census of 2001, employment in the agriculture sector as a share of total work force stands at 2009-10 at 58.2%.² This explains the importance of Agriculture as a production sector in the Indian economy not only from the point view of its contribution to GDP but also from the point of view of employment for the population.

**Table 25: Sectoral composition of GDP**

<table>
<thead>
<tr>
<th>Year</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>53.1</td>
<td>16.6</td>
<td>30.3</td>
</tr>
<tr>
<td>1960-61</td>
<td>48.7</td>
<td>20.5</td>
<td>30.8</td>
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<tr>
<td>1970-71</td>
<td>42.3</td>
<td>24.0</td>
<td>33.8</td>
</tr>
<tr>
<td>1980-81</td>
<td>36.1</td>
<td>25.9</td>
<td>38.0</td>
</tr>
<tr>
<td>1990-91</td>
<td>29.6</td>
<td>27.7</td>
<td>42.7</td>
</tr>
<tr>
<td>2000-01</td>
<td>22.3</td>
<td>27.3</td>
<td>57.7</td>
</tr>
<tr>
<td>2010-11OE</td>
<td>14.5</td>
<td>27.8</td>
<td>57.7</td>
</tr>
<tr>
<td>2011-12AE</td>
<td>13.9</td>
<td>27.0</td>
<td>59.0</td>
</tr>
</tbody>
</table>

**Sources:** Economic survey of India, 2011-12, Government of India, P.8

The contributions of the agriculture and allied sector, industry sector, industry sector and service sector also underwent significant changes overtime. The longterm growth rate of the agriculture sector (over the last 60 years) has been 2.7 percent. It was 2.3 percent between 1950-51 and 1980-81 and 3.1 percent during 1980-81 to 2011-12. Growth in the industry sector increased from 5.2 percent in the earlier period to 6.4 percent between 1980-81 and 2011-12.

Similarly growth in the services sector was 4.4 percent and 7.8% percent respectively in the two sub periods.

The structure of the economy also has undergone significant changes overtime between 1950-51 and 1980-81, the industrial sector registered a higher growth rate than the service sector. The converse has been the case since then. This resulted in the share of the industry sector in GDP increasing by around 9 percentage point from 16.6 percent to 25.9 percent during the period from 1950-51 to 1980-81. The share of the services sector increased from 30.3 percent in 1950-51 to 38 percent in 1980-81.

it started growing rapidly thereafter and this phenomenon became more pronounced in 1990’s. Consequently, since 1980-81 the share of the industry sector has remained in the range of 26 to 28 percent of the GDP, while the entire decline in share of agriculture has been balanced by an increase in the share of the services sector. Thus the resilience of the economy to shocks owe to the services sector which has the largest share and most consistent growth performance.

**Agriculture in the development paradigm of India:**

Agriculture, as a sector in the Indian economy has historically an important place, majority of the population derive their livelihood from this sector. Even after 63 years of independence India’s development planning, agriculture still remains the major employer of the people of India in terms of keeping the economy going steady with demand generation enough, the expectations of agriculture doing well is very high. In terms of the sentiments of development in India, performance of agriculture still attaches more value in development paradigm. Even today the talk in terms of food security, agriculture is still revered as an activity only to deliver this security by producing more food to the people of India.

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4 Ibid., P.8.
5 Ibid., P.8
But in practice from the day one of development planning the treatment of agriculture in development is different, it is utter neglect, no respect shown as an activity of production and the only activity on which the people of the country can depend on inevitably as a last resort for anybody and everybody born in this country. The 1\textsuperscript{st} plan document considers Agriculture as a secondary sector ceding the first place to industry.\footnote{1\textsuperscript{st} plan document 1950-51 to 1955-56, Government of India, Planning Commission, P.56} Of course the world then was exposed to the new most dynamic process of goods and services production through industrial revolution which British economy experienced by 1850. This was possible because of the historical precedents, which started with Geographical discoveries in the 4\textsuperscript{th} century to, Renaissance in 11\textsuperscript{th} century, 13\textsuperscript{th} century experience of reformation, leading to an Agrarian revolution in 16\textsuperscript{th} century leading Britain to experience the growth of industrial activities, ultimately ushering is industrial revolution in the 19\textsuperscript{th} century which heralded a new era in the dynamics of Goods and services production to be called as industrial revolution to be complete by 1850, making Britain economically powerful ensuring the empire where sun never use to set. This new experience is responsible to make the British economy most prosperous, Britain politically reestablishing its authority over rest of the world, making it the mighty empire.

Britain did not stop at this. It experimented its newly earned industrial capacity in the western part of Europe, with its own capital and technology. The geography of Western Europe made possible this process to be initiated and help realize enormous capacity economically for this part of the world. It is this newly found prosperity that made possible for most of the Western European countries to also have colonial power extended in the other continents.

This new experience of the Western Europe heralded a new lesson to the world that unlike Britain, where historical precedents necessitated industrialization, but even without these with capital and technology the industrial process can be initiated in any part of the world. This is a big lesson the humanity learnt by the successful experiment of initiation of industrial
activity by Britain in the other Western European communities, and making this experiment a successful one.

Taking cue from this success, the development paradigm of India after independence accepted industrialization as the core activity and agriculture to only supplement the Growth of this industry as a core activity. This led to excessive protection extended to industrial activity. This has been corroborated by Dr. ManMohan Singhs\(^7\) observation that “the policy of excessive protection for industry hurt Indian agriculture in several ways; it raised the price of industrial products relative to agricultural products, which hurt the rural sector of our economy as consumers of industrial production. It also greatly increased the profitability of industrial production compared to agricultural production, which led to a progressive shift in investible resources away from agriculture. This shift takes place in various ways. Low returns in Agricultural activity reduce the ability of agriculture to pay economic prices for any inputs, making agriculture unduly dependent upon subsidized supply of critical inputs such as power, water and credit. In practice, in a country where agricultural population accounts for two thirds of population, the government’s ability to provide subsidies to agriculture on a sufficiently large scale to counter the initial negative impact of high industrial protection is very limited. The net effect is that agriculture cannot attract the resources it needs for rapid modernization and expansion. Instead of relying on expansion of subsidized supplies of the very inputs, it would be much better to progressively reduce the protectionist bias against agriculture by lowering protectionist barriers favouring industry and altering relative prices in favour of agriculture. This would create a potentially more profitable agricultural sector, which would be able to bear the economic costs of technological modernization and expansion”.

\(^{7}\) Dr Manmohansinghs inaugural address delivered at the 54\(^{th}\) annual conference of the Indian society of agricultural economics, held at Shivaji University Kolhapur, (Maharastra) on Nov.26, 1994, Manmohansingh, Finance Minister, Government of India, New Delhi—110 001.
It is also argued that Agriculture is not getting a fair deal and have often translated it into a demand for higher support and procurement prices for agricultural products. But correcting a bias against agriculture which is essentially a problem of relative prices cannot be solved simply by raising agricultural prices. An increase in support / procurement prices in a situation where industry continue to receive high protection would only lead to generalized inflation in which industrial prices rise even more to restore the old relative parity. This unintended consequence can be avoided only if the protectionist policy towards the industrial sector is changed so that in a regime of greater competition, industrial prices can come down or at any rate, their rate of Growth can be moderated.

The high protection for industry constituted a heavy implicit taxation of agriculture, leading both to reduced resource generation in agriculture and the increasing diversion of the available surplus for industrial development. In the past this heavy taxation of agriculture and associated increased disparities in income between agriculture and industry, which were a characteristic feature of soviet economic development, were sought to be Justified on the plan that, in course of time, accelerated industrial Growth by withdrawing surplus labour power from agriculture, would help to solve the problem of agriculture as well. The assumption was that removal of surplus labour from agriculture would lead to improved land-man ratio in agriculture, facilitating technological up-gradation and expansion and ultimately leading to rising per capita Income in agriculture. However in India, the pull of industrial development has led only to a small reduction in labour force engaged in agriculture. As a result, there has been an increase rather than a reduction in Income disparities between agriculture and rest of the economy. Since independence, there has been a sharp decline in the share of agriculture in national Income from 50 percent to about 13.9% in 2011-
However, this has been accompanied by only a marginal decline in the share of labour force engaged in agriculture.

The slow growth of employment in industry in our country has had adverse consequence for agriculture, since it has denied agriculture the benefit of an exhaust valve for surplus labour. Experiences all over the world shows that farms can be efficient and productive but there is critical size of form below which productivity and economic viability will suffer. We must avoid the process of progressive fragmentation of farms into operational holdings that are below the level that can be efficiently cultivated. But this can happen only if non-form employment expands at rapid rate.

**Public Investment in Indian Agriculture**

Public investment is an important area in the development of agriculture. The First plan document 1950-55 clearly considers agriculture as a supplementary sector facilitating the development of industries in the country. The plan document considers industry to be the core sector. The industrial investment got the full attention of the government of India, neglecting agriculture vis-a-vis declining public investment.

Dr Manmohan Singh expressed his opinion on public investment like this: “If the rural urban disparities in income and wealth are to be reduced, apart from increased public investment in agricultural infrastructure, Government will also need to increase its expenditure on provision of social services such as education, health and safe drinking water in rural areas.

In all these areas, there is considerable scope for mobilizing additional resources through community participation at the grassroots level. But the central and state governments have also a responsibility in this regard. The governments broader strategy of reduced emphasis on expansion of the public

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9 Dr Manmohansinghs inaugural address delivered at the 54th annual conference of the Indian society of agricultural economics, held at Shivaji University Kolhapur, (Maharastra) on Nov, 26, 1994.
sector in industry and trade, increased stress on public sector enterprises not relying on the budget for meeting their investment targets or for financing their losses and on reduction of fiscal structure which can meet more effectively the need for increased public deficits is designed to evolve a fiscal structure which can meet more effectively the need for increased public sector spending on social services and agriculture and rural development.

Public Investment at the Centre Stage of the Development Paradigm

For the first time in the independent India’s history, agriculture came to the centre stage of political dialogue in the general elections of 1989. This is particularly due to the early 1980's gave way for rural India making its voice for the continuous neglect of agriculture in the development priority and leaving rural India to the mercy of nature. This historical blunder of our development scenario resulted in the discontent of rural India taking the organized shape of farmer’s movements. This growth happened as a natural consequence of the neglect of the two thirds population in the development dialogue of India from 1950-1980. These farmers agitations are not centered in one state or region of India but became the pan India image. The issues raised by these movements were the historical neglect of agriculture and rural India interns of the development priority. Industrialization captured the imagination of the development planners at the cost of 75 percent population which is rural and deriving its livelihood from agriculture and its allied activities.

The issues these farmers’ movements were rising include the continuous neglect of agriculture and its allied activities, no priority for agriculture in public investment, rural development programmes being framed as customary without real concern for rural economy of India’s growth.

The new development paradigm initiated in the first plan 1950-1955 considered agriculture as a supplementary sector, giving the prime place of the core sector for industry.\footnote{The I plan document, 1950-55, Government of India 1950-51.} This made agriculture an activity of 90% of the
population for their livelihood, not being treated properly in the development design of India. This has been well corroborated by Dr. D.M.Nanjundappa in his presidential address of the Indian Economic Associations annual conference in 1975, in Jabalpur, Madhyapradesh.\textsuperscript{11} He has indicated that the first plan documents consideration of agriculture as supplementary sector, only to supplement the development of industry by supplying cheap raw-materials for industry and cheap food to the industrial labourers, so that the consumer price index can be maintained low to keep the wages low, which is very essential to make the industrial investment profitable. This is, the only way to give momentum to the industrialization process. This deliberate treatment made agriculture not attracting public investment. This lack of public investment in agriculture, failed this sector for more asset creation, so making agriculture the weakest production sector, where the dependants cannot derive a life of dignity.

The issue of public Investment was not bothered for a long time in agriculture, because of this consideration of development paradigm. 1980’s changed the whole perspectives. The country witnessed the uprising of rural India against this consideration of Agriculture in the development perspectives. The scenarios of rural India became precarious. Agriculture as an activity failed farmers in deriving a life of dignity. The whole of rural India was deprived of its basic requirements in terms of schools, connecting roads, health facilities.

This is well supported by a large scale survey conducted by the National Council of Applied Economic survey,\textsuperscript{12} which showed some development indicators of the rural communities.

- “About half of the population of rural India is illiterate and suffers from ‘capability poverty’, about 40 percent have extremely low incomes”.

\textsuperscript{11} Rural-Urban Conundrum in the development perspectives of India, the presidential address of Dr. D.M.Nanjundappa, president, Indian Economic Association’s annual conference, Jabalpur, Madhyapradesh, 1975.

“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 of the century have not helped the Scheduled Castes and Scheduled Tribes to emerge from the perennial poverty trap”.

63 percent of the villages do not have pucca / all weather connecting roads. In some states this is true of over 80 percent of villages”.

“About one-half of the villages in India do not have any source 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 Uttar Pradesh, 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 sub centre within the village”.

This makes it very clear how our development policy has been able to create a scenario of worsening the rural India. All these in combination made rural India to raise its voice as an agitation, which is termed now as farmers movements, pan India.

The issue of this deliberate neglect of allocating public resources for rural India made these movements to cry for an increased allocation for rural India. They also argued the real wealth of India is generated in rural India in the form of food crops, plantation crops, commercial crops raised in the fields of farmers which has made India to be strong but when it comes to the sharing of this national wealth the country is not generous in allocating resources for the development of rural India - so said Prof. M.D. Nanjundaswamy, when, he was
addressing mammoth gathering of Farmers in Bangalore.\textsuperscript{13} He also made it clear the objective of the farmers movement is to get priority for rural India in the development paradigm of India.\textsuperscript{14}

The farmers’ movements which became vocal in the early 1980’s continued their voice by mobilizing the movements in different region into a national co-ordination committee of farmers at the national level headed by leaders like Sri Mahendra singh tikaith of Bharat Kisan union, Prof. M.D.Nanjundaswamy of Karnataka Rajya Ryota Sangha, Sri Sharad Joshi of shethkari sanghan, Sri Narayanswamy naidu of Tamilnadu vyava sayigal sangam, Sri Lokowal of Punjab unit of Bharath Kisan union, Sri Rajewal of Rajasthan unit of Bharath Kisan union. Under the leadership of this national co-ordination Committee of Farmers, the agitation became very strong demanding scientific price for their agricultural produce and writing –off of agricultural loans. In one of the agitation there was total blockade of Delhi, where farmers from different parts of the country seized Delhi in the Boatclub area. the farmers from Uttar Pradesh, Haryana, Punjab, Himachalpradesh, Rajasthan, and Madhyapradesh and also from Andhra Pradesh, Karnataka, Tamilnadu participated in the seize Delhi Programme.

This agitation caught the attention of the political parties at the national level. The general election of 1989 the political discourse changed from the issues urban to rural and farmers. Every party, congress headed by Sri Rajiv Gandhi, Janata Dal headed by Sri Devilal and Bharatiya Janata Party headed by Sri A.B.Vajapayee declared that if they come to power, they will ensure scientific price for the farmers produces and write-off the unjust agricultural loans. Each party vyied with one another that they have the will and commitment to do good to the farmers. Ultimately in the election Janata Dal came to power. Sri V.P Singh became the prime-minister of the country. In tune with their

\textsuperscript{13} M.D.Nanjunda Swamys “Call for bringing the Government down” on October 2, 1992 at Cubbon park, Bangalore, 1992.
\textsuperscript{14} Ibid, Prajvani, 1982 Oct 3\textsuperscript{rd}, Bangalore, P.1.
pronouncement in their manifesto, Sri V.P Singh appointed a committee under
the Chairmanship of Prof. C H Hanumantha Rao, Professor of economics,
University of Hyderabad to advice the government how to go about farming an
Agriculture policy. In the democratic polity of independent India an agricultural
policy for the country was felt in 1989. Until then no political party or
government bothered about the need for framing an agricultural policy, as this
was the main or only source of livelihood for nearly 75% of the population.

When farmers movements introduced a new discourse on development dialogue
in the 1980’s that the governments and political parties started looking at the
issue. Historically 1980 is very important because independent India moved on
for 30 years on the planned development paradigm, which was believed to
deliver everybody in the country a better life. Even after the lapse of 30 years of
experiment with the new development paradigm, this did not deliver what was
expected of it. This is how modern development paradigm initiated in India in
1950 failed the people of India, particularly more the rural India and in particular
agriculture as a sector. This resulted in the complete neglect of 70% of the
population of India which lead to a serious discontentment in the rural segment
of India-expressing itself in the form of mass upsurge of rural India in the form
of Farmers’ movement, across India.

This lead to a change in the development discourse of India by the new
government headed by Sri V.P.Singh as the Prime Minister and Sri Devilal the
senior politician of Haryana becoming deputy Prime-minister initiating a new
development dialogue interns of an agricultural policy for India. This was
unthinkable in the earlier development discourse of India for almost 30 years
from 1950. This change was welcome change, large sections of the society
welcomed it as the genuine concern of the government towards rural economy
and particularly for Agriculture.

When the country was blind about how to go about a new development.
They appointed the first committee on agriculture to know where Agriculture
stands in the comity of other sectors of the Indian economy. When once we
recognize where agriculture stands it becomes easy to move further in terms of new policy initiatives. Dr. C.H. Hanumantha Rao submitted his report in the shortest possible time, indicating how Agriculture as a production sector presenting the weakest structures, resulting in the dependents have not been able to derive a decent livelihood. The committee indicated strongly that public investment has not gone into agriculture from 1950. This has resulted in the lack of asset creation in Agriculture. The asset creation is strengthening agriculture by means of levelling the lands with bunding. Creating irrigation facilities across the country to make agriculture free from the gambling in monsoon. Also creating capacity for seed production, chemical fertilizers, pesticides, insecticides, proper harvesting technologies, storing technologies, extension of technical services to the farmers, marketing services, pricing policy to ensure remunerative price for the farmers. These should have been created in the agriculture to make it a strong sector to sustain the dependants livelihood. Unfortunately public investment did not come into agriculture from 1950 with the initiation of the new development paradigm. This deliberate neglect of the government of India in terms of allocating more resources to Agriculture, so that the structures of a strong agriculture can be built strongly to help derive a decent livelihood by the dependants of this sector. So the C.H.Hanumantha Rao Committee is the first government of India Committee in Indicating vehemently a strong case for public investment.

Unfortunately for India economically, India was made to pass through critical economic problems reflecting in the form of serious disequilibrium in balance of payments. Politically also the country was passing through critical instability, the ruling Janata Dal became non-coherent party failing to carry the partners in the government together, the internal bickering with the top leaders for power resulting in political chaos. The Bharatiya Janata Party passed its communal political agenda strongly to further the party’s image. All these failed India interms of correcting its past mistakes of decades, in the coming years of India’s development push with a new discourse of emphasizing public investment of a high order to correct the past misdeeds. But history, politically
and economically failed India again in correcting the historical blunder government committed on the people of India. This is a historical miss for the union of India to tread a new path in development which should have addressed, what otherwise we missed for long time in old development paradigm.

Dr. C.H.Hanumantha Rao Committee did a great service for India in terms of re-inventing how public investment is important in Agriculture to undo its past in this sector.

Another important indication of the need for a public investment in agriculture can be seen in the address of the society of Agriculture economists by professor Manmohan Singh,\(^\text{15}\) he said “Thus far I have talked primarily about various price distortions affecting Indian agriculture which the new policies seek to remove. I would like to emphasize that an effective agricultural strategy has to be much more than a strategy about prices. In particular, is must encompass the all important question of investment in agriculture. The national accounts data show a disturbing trend in this regard. Public investment in agriculture and irrigation has been declining in real terms for the past fifteen years, while private investments have been stagnant. The removal of price distortions along the lines I have been describing, together with reform of the agricultural credit system, will help to stimulate private investment but what about public investment in this sector? There should be no doubt that substantial expansion in public investment in irrigation, land leveling, water conservation schemes and other rural infrastructure is absolutely essential for accelerating agricultural growth. We need to examine carefully the reasons for the decline in public investment and identify the remedies needed to reverse this trend”. Prof. Manmohansingh speaks about public investment he was emphatic in indicating how public investment has continuously gone down in the Indian economy. Thus making private investment by farmers cannot come forward because it is not rewarding to invest private capital, when public investment has not created an opportunity for the

\(^{15}\) Prof. Manmohan Singh-inaugural address of the 54th annual conference of Indian Society of agricultural economists held at Shivaji University, Kothapur (Maharstra) on November 26, 1994.
private capital to have a remunerative return. This lack of public investment had created lot of disincentives for private investment together they keep agriculture as a weakest structure when compared with other sectors of the economy like industry, manufacturing and services.

Prof. Manmohan Singh in the same address indicates how the states capacity for investment is limited, he says “Much of the answer lies in the proliferation of direct and indirect subsidies to loss making public enterprises and under pricing of such scarce inputs as power, water, fertilizers and transport. Subsidies do have a positive role provided they are well targeted and are contained within limits of fiscal prudence. However many of these subsidies have grown disproportionately over time and place an unsustainable burden on central and state government finances. Today they severely limit the public sectors capacity for financing public investment in agriculture, irrigation, power. The message seems to be clear: the central and state governments can support the agricultural sector either through input subsides or through financing public investment in agriculture. There is no conceivable way that government can afford to pay for both, the original rational for input subsidies was that agriculture could not afford to pay. We know that this has circular reasoning. Agriculture was forced to bear the burden of a policy which discriminated in favour of industry and was therefore unable to pay. Now that these discriminatory policies are being modified so as to enhance the profitability of agriculture, it is necessary to move to more economic pricing of key inputs such as water and electricity so that the resources saved thereby can be directed towards increased public investment in agriculture and irrigation. More economic pricing will also provide the right signals for conserving water and energy, in reducing soil degradation and in general, supporting environmentally a more sustainable pattern of agriculture development”.

Thus Prof. Manmohan Singh has tried to interprete the increasing subsidy element for agriculture both by the state and union government’s capacity to make public investment had gone down. The introduction of the very element of
subsidy in agriculture came to correct the failures of the governments in agriculture. It is in no way corrected to farmers demanding subsidy. Since the governments at different levels have failed to create capacity for agriculture by not providing basic requirement of agriculture to support its dependents. This failure is being corrected by extending subsidy to the farmers.

**Public Investment and Gross Capital Formation**

This continuous and deliberate neglect agriculture has resulted in reduced public investment in agriculture. A continuous decline in public investment has resulted in a very low capital formation in agriculture. This limits even the private investment in agriculture as it become unremunerative to invest by the farmers together resulting in agriculture as a sector becoming weak and unsustainable. This is presented in the table below.
### Table 26: Gross Capital formation in Agriculture

<table>
<thead>
<tr>
<th>Year</th>
<th>Total investment in agriculture (Rs. in crore)</th>
<th>Public sector investment in agriculture Rs. in crore</th>
<th>Share of Public sector investment in total investment agriculture (percent)</th>
<th>Investment in agriculture as percent of total investment</th>
<th>Share of GCFA in public Sector in total GCF in Public Sector</th>
<th>Investment in agriculture as percent of GDP at Constant prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>14,836</td>
<td>4395</td>
<td>29.6</td>
<td>9.9</td>
<td>8.3</td>
<td>1.92</td>
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<td>1995-96</td>
<td>15,690</td>
<td>4849</td>
<td>30.9</td>
<td>4.9</td>
<td>5.3</td>
<td>1.57</td>
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<td>1996-97</td>
<td>16,176</td>
<td>4668</td>
<td>28.9</td>
<td>4.8</td>
<td>4.8</td>
<td>1.51</td>
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<td>1999-2000</td>
<td>17,304</td>
<td>4221</td>
<td>24.4</td>
<td>3.5</td>
<td>3.1</td>
<td>1.37</td>
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<td>1999-2000</td>
<td>50,151</td>
<td>8670</td>
<td>17.3</td>
<td>10.2</td>
<td>6.0</td>
<td>2.83</td>
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<tr>
<td>2000-2001</td>
<td>45,480</td>
<td>8084</td>
<td>17.7</td>
<td>9.7</td>
<td>5.8</td>
<td>2.39</td>
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<td>2001-2002</td>
<td>56,979</td>
<td>9712</td>
<td>17.1</td>
<td>11.7</td>
<td>6.7</td>
<td>2.74</td>
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<td>2003-2004</td>
<td>53,541</td>
<td>10804</td>
<td>20.2</td>
<td>8.8</td>
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<tr>
<td>2004-2005</td>
<td>57,759</td>
<td>13021</td>
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<td>2.02</td>
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<td>2004-2005</td>
<td>78848</td>
<td>16183</td>
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<td>7.4</td>
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<td>2.66</td>
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<td>2005-2006</td>
<td>93121</td>
<td>19909</td>
<td>21.4</td>
<td>7.3</td>
<td>6.8</td>
<td>2.87</td>
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<tr>
<td>2006-2007</td>
<td>94400</td>
<td>22978</td>
<td>24.3</td>
<td>6.2</td>
<td>6.4</td>
<td>2.65</td>
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<tr>
<td>2007-2008</td>
<td>110006</td>
<td>23039</td>
<td>20.9</td>
<td>5.9</td>
<td>5.2</td>
<td>2.83</td>
</tr>
<tr>
<td>2008-2009</td>
<td>138597</td>
<td>24452</td>
<td>17.6</td>
<td>7.1</td>
<td>4.7</td>
<td>3.34</td>
</tr>
<tr>
<td>2009-2010</td>
<td>131139</td>
<td>22719</td>
<td>12.4</td>
<td>7.0</td>
<td>4.6</td>
<td>2.90</td>
</tr>
<tr>
<td>2010-2011</td>
<td>142254</td>
<td>21500</td>
<td>12.3</td>
<td>7.0</td>
<td>4.5</td>
<td>2.88</td>
</tr>
<tr>
<td>2011-2012</td>
<td>151000</td>
<td>24345</td>
<td>12.5</td>
<td>8.1</td>
<td>4.6</td>
<td>3.00</td>
</tr>
</tbody>
</table>

**Source: Computed from:**
- Government of India, Economic survey 2006-07 (Delhi 2007) Table 8.19
- Government of India, Economic survey 2009-10 (Delhi 2007) Table 8.2 and 8.3
- Government of India, Economic survey 2012-13 (Delhi 2007) Table 8.1
As per the table above total investment in agriculture was 14,836 crores in 1990-91 which rose to 17,304 crore in 1999-2000 at 1993-94 prices. At 2004-05 prices total investment in agriculture was Rs.78,848 crore in 2004-05 and Rs. 1,38,597 crore in 2008-09. These figures gives in a big figure in quantitative terms, but when we look deeply into the investment, the facts appear to be different.

As far as public sector investment in agriculture is concerned it was Rs. 4395 crore in 1990-91 and 4221 crore in 1999-2000, at 1993-94 prices. In percentage terms, this meant a fall in the share of public investment in total investment in agriculture from about 30 percent to less than 25 percent. Interms of 2004-05 prices, the share of public sector investment in total investment in agriculture was only 17 to 20 percent from 2004-05 to 2008-09 implying that the share of private sector investment in total investment was as high as 80 to 83 percent. This clearly shows that how after liberalization the government of India has totally allowed the private sector an important role in the development of agriculture and government gradually withdrawing from this process.

Gross Capital formation in agriculture was 9.9 percent of total Gross capital formation in 1990-91 and this fell drastically to only 3.5 percent in 1999-2000 interms of 1993-94 prices. This clearly shows how the government has neglected agriculture during the period of 1990’s interms of 1999-2000 prices, the share of Gross Capital formation in agriculture in total Gross Capital formation was 10.2 percent in 1999-2000, which fell to just 7 percent in 2006-07. Interms of 2004-05 prices, the share of Gross capital formation in agriculture in total gross capital formation has been 7 percent or even less than that over the years 2004-05 to 2008-09. This poor investment in agriculture is one of the main reasons for the very slow growth of agriculture in recent years.

The share of Gross capital formation in agriculture in public sector also shows similar trends. It was just 6.7 percent in 2004-05 and 4.7 percent in 2008-09 4.6 percent in 2011-12 at 2004-05 prices.
The share of agricultural sectors capital formation in Gross domestic product was only 2.8 percent in 1999-2000 and 2007-08 it rose somewhat to 3.3 percent in 2008-09 and remains at 3.0 % in 2011-12. This decline in public investment in agriculture is a serious cause of concern, because this will have negative impact on the overall growth of Indian Agriculture in the long run.\textsuperscript{16} Sri I.M.Gulati and Bathla have estimated that a 10 percent decrease in public investment (including irrigation and power) leads to 2.4 percent annual reduction in Agricultural Gross domestic product Growth.\textsuperscript{17}

Table 27: Agriculture sector: Key Indicators (Percent at 2004-05 prices)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Item</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Growth in Gross Domestic Product in Agriculture</td>
<td>5.8</td>
<td>0.1</td>
<td>0.8</td>
<td>7.9</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>Share of agriculture and allied sector is total GDP Agriculture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Forestry and logging</td>
<td>16.8</td>
<td>15.8</td>
<td>14.6</td>
<td>14.5</td>
<td>14.1</td>
</tr>
<tr>
<td></td>
<td>Fishing</td>
<td>14.3</td>
<td>13.4</td>
<td>12.3</td>
<td>12.3</td>
<td>12.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.7</td>
<td>1.6</td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>2.</td>
<td>Share of agriculture and allied sectors in total Gross Capital</td>
<td>6.4</td>
<td>7.8</td>
<td>7.3</td>
<td>6.2</td>
<td>6.8</td>
</tr>
<tr>
<td></td>
<td>Formation (GCF)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Agriculture</td>
<td>5.9</td>
<td>7.2</td>
<td>6.7</td>
<td>5.6</td>
<td>6.2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td>3.</td>
<td>Gross Capital formation in agriculture and allied sectors as</td>
<td>16.1</td>
<td>19.4</td>
<td>20.1</td>
<td>18.4</td>
<td>19.8</td>
</tr>
<tr>
<td></td>
<td>percent to GDP of the sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Employment in agriculture sector as share of total workers</td>
<td>58.2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(census 2001)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


\textsuperscript{17} Ashok Gulati and Seema Bathla – Capital formation in Indian Agriculture; trends, Composition and Implications for growth (NABARD Occassional Paper – 24, Mumbai 2002).
The above table shows an element of dynamism when compared to the precious years of disappointment. The average annual growth of the agriculture and allied sector during the eleventh five year plan at 3.6 percent fell short of the 4 percent growth target. Realized growth, has been much higher than the average annual of 2.5 and 2.4 percent achieved during the ninth and tenth plans, respectively. Growth has also been reasonably stable despite large weather shocks during 2009 a year of deficient south-west monsoon, 2010-11 a year of drought and deficient rainfall in some states and 2012-13 a year of delayed and deficient monsoon. An important reason for the dynamism has been due to a step-up in the Gross capital formation (GCF) in this sector relative to Gross domestic product (GDP) of this sector, which has consistently been improving from 16.1 percent in 2007-08 to 19.8 percent in 2011-12 at constant prices of 2004-05.

Overall Gross capital formation in Agriculture and the allied sectors almost doubled in the last 10 years and registered a compound average annual Growth of 8.1 percent. Rate of Growth of Gross capital formation (GCF) accelerated to 9.7 percent in the eleventh plan 2007-12 compared to a growth of 2.7 percent during the tenth plan 2002-07. Average annual growth of private investment at 12.5 percent during eleventh plan was significantly higher as against nearly stagnant investment during the tenth plan.

**Public-Private Investment: Its Relations**

All along the development of agriculture in India during 1950’s the argument was only around public investment in agriculture. It was the inability of the government of India to increase public investment in agriculture, the sector has been de-capacitated in experiencing a growth rate of only between 2 percent and 2.5 percent during 1950’s, 60’s, 70’s even in the 1980’s. The continuous failure of the Government to provide dynamism to the Growth of agriculture which resulted in the sector becoming the weakest sector in terms of its structure. The asset creation in terms of land levelling, even reforms in land holding, provision of irrigation, power supply, capacity to supply better seeds,
chemical fertilizers, pesticides and insecticides, extension of services to the farmers field, better transport and communication, extended marketing facilities with a pricing policy which can compensate the farmers efforts in raising the crop. If these assets were not built, agriculture as a production sector failed to experience the dynamism in its growth which in turn should have ensured better life for the dependent farmers. This is where the lack of public investment failed agriculture in terms of its sustaining capacity of large number of its dependants. The economic events of 1989-91 presented India’s economic system failing, almost on the verge of collapse due to serious disequilibrium in balance of payments. This compelled the managers of the economy to seek the help of international monetary fund (IMF) in the form of extended financial facility (EFF). This financial assistance came with conditionalities that the state should be cautious in financial allocation of resources which are scarce. The state should even with draw from the economic production, because market can well deliver the economic goods at a competitive price in the market. This philosophy made government of India to think in terms of allowing private capital to come into agriculture. Therefore as a policy government accepted contract farming and corporate farming as the systems of carrying agricultural activity, because these will be able to add higher value-addition to agricultural production. This was the philosophy of structural adjustment programme (SAPS) initiated by international monetary fund (IMF) for the countries which have serious disequilibrium in their balance of payments (B/P’s), indicating the process of increasing the efficiency of the developing countries, which have too much of state in the running of economic machine. So liberalization came as a solution for the otherwise the rigid structures, which are not facilitating for dynamic expansion of sectors. In tune with this private investment became everything in development paradigm, more so even in agriculture.\textsuperscript{18}

\textsuperscript{18} Op cit, P-237.
While public investment in agriculture declined from Rs. 730 crore in 1980-81 to 4395 crore in 1990-91 at 1993-94 prices and stood at Rs. 24452 crores in 2008-09 at 2004-05 prices, private investment in agriculture increased from Rs. 6932 crores in 1980-81 to Rs. 10,441 crore in 1990-91 at 1993-94 prices and further to Rs. 10,441 crore in 1990-91 at 1993-94 prices and further to Rs. 1,14,145 crore in 2008-09 at 2004-05 prices. Accordingly, economists argue that a decline in public investment in agriculture should not cause any concern. But this causes lot of concern for the farmers of India and agriculture as a sector.

- Public investment and private investment cannot be considered to be mutual substitutes in view of their current composition. Public investment is mainly accounted by investments made in medium and major irrigation works, rural roads, markets, storage facilities, rural electrification etc. In contrast private investment is essentially taking place for short-term asset building as it is mainly in the areas of mechanization, ground leveling, private irrigation etc. That is why, increase in private sector capital formation cannot be treated as compensating the need for public sector capital formation.

- Almost all the studies on the issue use macro level data and ignore its regional dimensions. Inducement impact might have disappeared for more irrigated progressive states which have received disproportionately large benefits from public investment in the past aided simultaneously by increased flow of institutional credit diverted to them. However, in many rainfed or dryland farming areas having underdeveloped or backward infrastructure, it is necessary to undertake massive investments for the development of watersheds, roads, rural electrification etc., private investment cannot be expected to flow in these activities, so vital for agricultural development.

- In rainfed or dry farming areas, once massive public investment is undertaken for the development of infrastructure, like watersheds, roads, rural electrification etc., Private investment in horticultural and forestry
plantation, livestock production, minor irrigation, new technology for crop production will receive a considerable boost up.

- Public investment is found to have indirect externalities in terms of its long term favourable impact on environment and sustainability of agricultural growth.

**Increasing Subsidies Reduce Capital Formation**

Prof. Manmohan Singh calls for increased public investment in agriculture, he says “there should be no doubt that substantial expansion in public investment in irrigation, land leveling, water conservation schemes and other rural infrastructure is absolutely essential for accelerating agricultural growth. We need to examine carefully the reasons for the decline in public investment and identify the remedies needed to reverse the trend”¹⁹ He further goes to indicate the answer, he says much of the answer lies in proliferation of direct and indirect subsidies to loss making public enterprises and under pricing of such scarce inputs as power, water, fertilizers and transport. Subsidies do have a positive role provided they are well targeted and are contained within limits of fiscal prudence. However many of these subsidies have grown disproportionately over time and place, an unsustainable burden on central and state government finances. Today they severely limit the public sectors capacity for financing public investment in agriculture, irrigation and power, the message seems to be clear; the central and state government can support the agricultural sector either through input subsidies or through financing public investment in agriculture. There is no conceivable way that government can afford to pay for both. The original rationale for input subsidies was that agriculture could not afford to pay. We know that this was circular reasoning. Agriculture was forced to bear the burden of policy which discriminated in favour of industry and was therefore unable to pay. Now that those discriminating policies are being modified so as to enhance the profitability of agriculture, it is necessary to move

¹⁹ Dr. Manmohan Singh – inaugural address of the society of Agricultural economics at their 54th annual conference held at Shivaji University, Kolhapur on Nov. 26, 1994.
to more economic pricing of key inputs such as water and electricity so that the resource saved thereby can be directed towards increased public investment in agriculture and irrigation. More economic pricing will also provide the right signals for conserving water and energy, in reducing soil degradation and in general, supporting environmentally a more sustainable pattern of agricultural development.\(^{20}\)

A large portion of public expenditure on agriculture in recent years went into current expenditure in the form of subsidies for food and agricultural inputs, particularly fertilizers, electricity and irrigation. For example food subsidy increased from Rs. 7500 crores in 1997-98 to Rs 43668 crores in 2008-09, increasing almost to 1,30,000 crores in 2012-13. As for as subsidies on agricultural inputs like fertilizer, electricity and irrigation are concerned they were as high as Rs. 30473 crores in 1999-2000 and rose further to Rs. 74037 crores in 2007-08 at current prices,\(^{21}\) reaching 110,00 crores by 2012-13.\(^{22}\)

Prof. A.Vidyanathan argues not only is the high level of subsidies fiscally unsustainable, underpricing of inputs is a major cause of indiscriminate and wasteful use of these inputs, raising the costs of production and contributing to degradation of land, pollution of water resources and overexploitation of ground water.\(^{23}\) The fiscal compulsions for reform in the input sector are already very strong and will become even more competing in times to come. According to Vidyanathan the political argument for reduction in subsidies lies basically in the fact that these subsidies in effect give recurring doles to producers of the inputs and to a small sector of the farming community – thereby diverting massive amounts of resources from much needed investments in expanding and improving economic and social infrastructure for the rural masses.\(^{24}\)

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\(^{20}\) Ibid., Nov. 26, 1994.
\(^{23}\) Vidyanathan, “India’s agriculture development policy” Economic and Political weekly, May 13, 2000, P.1738.
\(^{24}\) Ibid. P. 1738.
Increasing Public Sector Capital Formation Through Rural Infrastructure Development Fund

In order to increase capital formation in agriculture was the creation of Rural Infrastructure development fund in 1995-96 with a corpus of Rs. 2000 crores, to provide funds for state governments and state owned corporations to enable them to complete various types of rural infrastructure projects. Since 1995-96 the scheme has continued in each succeeding year with enhancement in the volume of fund. The total corpus of Rural infrastructure development Fund (RIDF) in 1995-96 to 2008-09 amounted to Rs. 86,000 crores. The resources for the fund are contributed by the scheduled commercial banks to the extent of the shortfall in meeting their priority sector lending targets. Loans under Rural infrastructure development Fund (RIDF) are given for various purposes like irrigation projects, watershed management, construction of rural roads and bridges etc.

But the creation of Rural infrastructure development Fund (RIDF) is not an additional resource to the agriculture sector, rather it is a mechanism through which private sector resources, in the form of deposits are diverted to the public sector.  

Had the banks met the stipulated target of priority sector lending, the resources would have automatically gone to the farmers and probably the efficiency in their use should have been greater. Though National Bank for agriculture and Rural development (NABARD) sanctioned funds to the state governments, their disbursement is not impressive. This is clear from the fact that at the end of Mar 2008 – cumulative disbursement was just 61.5 percent of cumulative sanctions. According to Reserve Bank of India (RBI) the low level of utilization of funds was mainly due to inadequate budget of state governments affecting timely flow of funds to the implementing departments, delay in completion of the formalities related to drawal of funds, and delay in completion

of preliminary work in respect of irrigation projects which involves land acquisition formalities, obtaining environmental clearance from the central government tendering procedures\textsuperscript{26} etc., The rural infrastructure development fund provided a golden opportunity to the commercial banks to park their funds without risk and that made the banks less interested in expanding their priority sector lending.

**National Agricultural Policy 2000**

The Government of India announced a national Agricultural policy on July 28, 2000. This policy seeks to “Actualize the vast untapped growth potential of Indian agriculture, strengthen rural infrastructure to support faster agricultural development, promote value addition, accelerate the Growth of agro business, create employment in rural areas, secure a fair standard of living for the farmers and agricultural workers and their families, discouraging migration to urban areas and face the challenges arising out of economic liberalization and globalization.”\textsuperscript{27}

The main features of the National Agriculture Policy are –

- Privatization of agriculture and price protection of farmers in the post-quantitative restrictions (QR) regime would be part of the government’s strategy to synergise agricultural growth. The focus of the new policy is on efficient use of resources and technology, adequate availability of credit to farmers and protecting them from seasonal and price Fluctuations.

- Private sector participation would be promoted through contract farming and corporate farming and leasing of land arrangements to allow accelerated technology transfer, capital inflow, assured markets for crop production, especially of oilseeds, cotton and horticultural crops.

\textsuperscript{26} Reserve Bank of India: Trends and Progress of Banking in India – 2000.

\textsuperscript{27} Government of India, Ministry of Agriculture, National Agricultural Policy, New Delhi, 2000, P.2.
• Private sector investment in agriculture would be encouraged, particularly in areas like agricultural research, human resource development, post-harvest management and marketing.

• In view of dismantling of Quantitative restrictions (QR’s) on imports as per World Trade Organization (WTO) agreement on agriculture. The policy has recommended formulation of commodity wise strategies and arrangements to protect farmers from adverse impact of undue price fluctuations in the world market and promote exports.

• Government would enlarge coverage of future markets to minimize the wide fluctuations in commodity prices as also for hedging their risks. The policy hopes to achieve sustainable development of agriculture, create gainful employment and raise standards of living.

• The policy envisages evolving a “national livestock breeding strategy” to meet the requirement of milk, meat, egg and livestock products and to enhance the role of drought animals as a source of energy for farming operations.

• Plant varieties would be protected through a legislation to encourage research and breeding of new varieties. Development of animal husbandry, poultry, dairy and aquaculture would receive top priority.

• High priority would be accorded to evolve new location – specific and economically viable improved varieties of farm and horticulture crops, livestock species and aquaculture, domestic agricultural market will be liberalized.

• Restriction on movement of agricultural commodities throughout the country would be progressively dismantled. The structure of taxes on food grains and other commercial crops would be reviewed.
• The excise duty on materials such as farm machinery, implements and fertilizers used as inputs in agricultural production, post-harvest storage and processing would be reviewed.

• Appropriate measures would be adopted to ensure that agriculturists remained outside the regulatory and tax collection system.

• Rural electrification would be given high priority as a prime mover for agricultural development.

• The use of new and renewable sources of energy for irrigation and other agricultural purposes would be encouraged.

• Progressive institutionalization of rural and farm credit would be continued for providing timely and adequate credit to farmers.

• Endeavour would be made to provide a package insurance policy for the farmers, right from sowing of crops to post-harvest operations, including market fluctuations in the prices of agricultural produce.

The national agricultural policy lists each and every objective. The policy path to achieve these objectives branches into several paths: Sustainable agriculture, food and nutritional security, generation and transfer of technology, incentives for agriculture, investment in agriculture, institutional structures, risk management and management reforms. Prof. Ashok Gulati rightly points out “the policy paths and measures enumerated are mere intentions, nowhere does the document specify how, these intentions are going to be converted into reality.”

The neglect of Rural India in the development paradigm of India is responsible for the farmers movements to raise their head throughout India. The 1980’s provided a fertile ground for these, because of 30 years of development experiment failed to generate vibrancy in rural India, instead they made rural

India lifeless without providing necessary Palliatives that should have been generated in the new development process (NDP). The same is the case in Karnataka, which provided an opportune moment for the rural Karnataka to raise its head. It sparked in the Northern Karnataka region, particularly in Navilgunda and Naragunda of Darward district, the farmers raised as one to fight the unjust policy of the government of Karnataka regarding the policy of increasing Development levy on the newly irrigated lands through Malaprabha and Ghataprabha Irrigation projects. The new irrigation of the area instead of bringing prosperity, it brought tears in the eyes of the farmers. The Black cotton soil, which otherwise was helping raise dry farming crops with little precipitation failed to raise even one crop with the new irrigation due to water logging. The nature of soil did not help them raise the crop. The banks and societies thinking farmers have prospered started demanding repayment of loans and new taxes and new rates for irrigation of the land by the states. This caused harassment for the farmers. They raised as one to fight the state and its agencies out to destroy the farmers which sparked the ire of the farmers on 21st May 1980. This date created history for the rural India preparing itself for an agitation. The Lohia socialists of Karnataka under the leadership of Prof. M.D.Nanjundaswamy, ably assisted by Sri H.S.Rudrappa, Sri N.D.Sundaresh formed a loose organization of farmers as Karnataka Rajya Ryota Sanga (KRRS), which created, a history of sorts to the otherwise exploited rural mass to come open and fight the injustice meted out to them just because they live in rural areas and their occupation being agriculture.

Professor M.D.Nanjundaswamy cites these reasons for the agitation of the Farmers of Karnataka.29

“Even after 35 years of independence, the irresponsible governments in Karnataka have been able to irrigate only 10 percent of the total areable land of Karnataka, the remaining 90 percent of land remains dry land cultivation. Dry land Farmers and agricultural labourers situation call for serious consideration. It

calls of irrigating these land through Borewells, sprinklers and drip irrigation at Government cost to improve the lot of these dry land people”.

“Also use all plan resources for the villages to start small industrial enterprises to provide full employment to them”\(^{30}\)

“Though 10 percent of the irrigated land farmers have been able to feed the population of the country, the farmers have not been provided with a proper pricing policy, squeezing farmer’s with high interest rate, and converted the farmers into bonded labourers, labourers have not been able to derive proper wages”\(^{31}\)

“The development regime has on the one hand squeezing rural and decorating the urban interests like industries and big enterprises, on the other whereas rural India has no light, drinking water, hospitals in rural areas and the required drugs, schools, Latrines and drainage system in villages, villages, are turning to be burial grounds and urban areas are being beautified”\(^{32}\)

“Therefore people of village have to fight this unjust system says Karnataka Rajya Ryota Sangh (KRRS). If the people of villages do not fight this system, the unjust system will swallow us, Handful of urban people will convert the children of village into orphans, beggars. For the comfort of small urban population the whole village people will be turned into bonded labourers” so calls Karnataka Rajya Ryota Sangh (KRRS) to the people of villages.\(^{33}\)

Karnataka Rajya Ryota Sangha is organizing the people of villages of Karnataka to fight this unjust system with commitment and to get better prices for our agricultural produce, better wages for agricultural labourers and to make the resources generated in the villages to be spent in the villages only to achieve these objectives, Karnataka Rajya Ryota Sangh (KRRS) organizes workers with

\(^{30}\) Ibid, P.9.
\(^{31}\) Ibid, P.10.
\(^{32}\) Ibid., P.10.
\(^{33}\) Ibid. P.10.
commitment to fight for these causes and to pursue the agitation to realize these objectives for the betterment of our villages in Karnataka”

“In this agitation all the farmers, agricultural labourers should actively participate in our fight against this unjust policies of the state and make our fight a success” – This is the confidence expressed by Karnataka Rajya Ryota Sangha in one of its earlier documents published in 1982.

The Emergence of Karnataka Rajya Ryota Sangha (KRRS) in the 1980s:

Why farmers movement in Karnataka?

“The farmers are the only sincere and honest group which toil in the fields from morning till evening, whether, rain, sun anything he keeps working. Inspite of this farmer are the poorest of the lot of the population and in the shackles debt. The farmers have not been able to find the conspiracy behind this continuous misery inflicted on this group of the population from centuries, now they have been able to find reasons for this” – Karnataka Rajya Ryota Sangha (KRRS) declares.

It further says “the poverty of farmers and indebtedness for centuries is not due to farmers themselves, but due to the deliberate policies of the government for agriculture like levy policy, price policy, credit policy and tax policies have been directly responsible for all these miseries of the toiling farmers, this has been aggravated by the policy of planned development which has totally no place of agriculture”

Unjust Prices For The Farmers Produce

Karnataka Rajya Ryota Sangh (KRRS) argues that – “Except Agriculture all other production activities are allowed free to produce goods, fix their own

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34 Ibid. P.10.
36 Ibid. P. 13
37 Ibid. P. 13
price for their production and can make any amount of profit for their luxuries. They have not been brought under any rule and regulation”.

“But farmers who produce agricultural crops are regulated by means of price commission. This commission do not takes into consideration the cost of agriculture and the cost of feeding an agricultural family in the fixation of the price. Even the governments have not provided any guidelines to the commission in fixing a better price for the agricultural commodities. Because of this the commission fixes unjustifiable price to loot the farmers produce at the cheapest price making farmers remaining poor”.

“Even by means of levy policy the state procures at a price much below the market price, procures certain crops as levy from the farmers. This levy is not imposed on any other production in the country. So this levy policy is also a process of pauperizing farmer. According to this the farmers of Karnataka from 1966 to 1980 have given to the government around 2 crores quintal of food crops at 30 Rs. below the market price. This amounts to around Rs.60 crores of food grains have been given to the government freely”.

In addition to this from 1966-1983 the farmers of Karnataka have produced 300 crore quintals of food crops. Out of this they have sold 150 crore quintals of crops in the open market.

Since there is no law to keep the price stable from harvest to other seasons, the business people purchase at low price during harvest from the framers and sell it at a high price in the market. In this the government is a partner in looting the farmers. In this loot of the farmers by the businessmen the farmers have lost around Rs.5000 crore to Rs. 6000 crore. In the prevailing price in the market and cost of cultivation in crops like Tobacco, Sugarcane, Jowar,

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38 Ibid. P. 13
39 Ibid. P. 13
40 Ibid. P. 14
Ragi and Cotton farmers have lost Rs. 2000 crores every year"\(^{41}\) says Karnataka Rajya Ryota Sangha.

**Unjust Credit Policy:**

Karnataka Rajya Ryota Sangh (KRRS) says – “The farmers who are losing their income due to lack of proper pricing, also regards farmers as debtor. This appear ridiculous, because the debt of the farmers do not exceeds Rs. 100 crores, but the looted amount in terms of levy and others is around Rs. 6000 crores. Therefore the state is indebted to Farmers and not Framer’s indebt. Therefore all debt of the farmers have to be written off”\(^{42}\) argues the organization.

**Credit Policy Sans – Reasoning:**

The Karnataka Rajya Ryota Sangh (KRRS) alleges that “the state policy of extending credit to farmers also lacks reasoning. The policy applied to industry and commerce where production happens without much uncertainty and hazzles, is also applied to the Agriculture, where the element of uncertainty of rainfall is very high. So farmers’ have to borrow from co-operative societies at 13 percent interest, if compounded interest is added it comes to 16 percent, and borrow from commercial banks at 16 percent of interest if compound interest is added it comes to 20 percent. It the cost of procuring the documents paying bribes at different levels it comes to 24 percent of interest”\(^{43}\)

“The agriculture which suffer from drought, excess rainfall, insects and pests, loss due to wild animals, birds, rats and looters, if rate of interest is charged at a high rate is highly unjustified. Imposing compound interest is most heinous, because of these in Agriculture interest and compound interest to be

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\(^{41}\) Ibid. P. 14.
\(^{42}\) Ibid. P. 40.
\(^{43}\) Ibid. P. 15
banned. Farmers credit without interest be supplied to farmers\textsuperscript{44} so argues farmers movement.

**Step – Motherly Treatment in Taxation of Agriculture:**

The Karnataka Rajya Ryota Sangh argues that even in taxation the farmers are treated unjustly in land revenue, water taxation, betterment levy and income tax. These systems even today are characterized by feudal traits and remain unscientific” avers the organization. Taxing production inputs is unscientific. Land, water like air and light are for agriculture production inputs. These should not be taxed. Whatever is produced by these inputs appears the right way taxing. So the tax on land and water should be immediately done away with\textsuperscript{45} argues the farmers movement.

Even “the perceived value appreciation of the irrigated land is unjustifiable. The betterment levy imposed on this is also illogical stands no reason for testing, taxing the production is the right way of imposition. The Karnataka Rajya Ryota Sangha’s (KRRS) agitation in 1980 got this levy removed in Karnataka”\textsuperscript{46}

Even agricultural income tax is also iniquitous in taxation. In other areas an income of Rs.22000 invites income tax, but in agriculture the income tax is imposed on the basis of land holdings is also unjustified through, bad price policy and credit policy, the farmer is made incomeless, so imposing income tax on such farmers is unjustified. In 1980 the prolonged agitation of Karnataka Rajya Ryota Sangha has been able to remove the taxation on food crops”\textsuperscript{47} Even in taxing the power use by farmers for lighting and pumpsets is also at a high rate, this is a way of squeezing the blood of the farmers” – argues Karnataka Rajya Ryota Sangha (KRRS).

\textsuperscript{44} Ibid. P. 16  
\textsuperscript{45} Ibid. P.16.  
\textsuperscript{46} Ibid. P. 16  
\textsuperscript{47} Ibid. P. 16
Equality in Pricing

Karnataka Rajya Ryota Sangha (KRRS) argues that “even in pricing policy the state follows dual policy. Agricultural pricing, credit policy and taxation policy follows this dualism. More than this the free pricing allowed for industrial products is more serious. This has allowed industry to make farmers more poor. For example the increase in the price of chemical fertilizers in 1972 to 1980 has resulted in the fertilizer industry alone looting farmers upto Rs. 400 crore, in 1979-80 alone the industry looted farmers of Rs. 58 crores. So the pricing of industrial goods and agricultural goods should be on the basis of parity price”\(^{48}\)

“The pricing of different crops should be on calculation of the value of manhours used, cost of cultivation, and the cost of a dignified living should be used in pricing of the crops”\(^{49}\)

“Likewise pricing of industrial products should also be based on the real cost of raw-materials, and manhours used should be used, in terms of pricing of both the goods the value of manhours used should be valued equally. And also in fixing the profitability both the sectors should be treated equally.”\(^{50}\)

The Real Prices:

Karnataka Rajya Ryota Sangha (KRRS) on the above basis has calculated prices for different crops in 1980. Paddy Rs. 200 per quintal, Sugar cane per ton Rs. 300, Cotton Rs. 1000 to 1200, Maize, Bajra, Ragi Rs. 200, Ground nut Rs. 500, Onion and Potato Rs. 100, tobacco Rs. 20 per kg. if these price are allowed to be realized for farmers, he can lead a life without indebtedness. Keeping the past looting of farmers by the state, the Sangha calls for writing-off of all past debt and return all assets of farmers acquired by all the agencies of the state to

\(^{48}\) Ibid. P. 17
\(^{49}\) Ibid. P. 17
\(^{50}\) Ibid. P. 18
recover the dues from the farmers. So the movement call for a new agitation for achieving these objectives.\textsuperscript{51}

**New Life to Farmers:**

Small farmers who cultivate their small holdings and also are labourers, labourers who do not have any land are only labourers, their situation is worse in villages, where they lead a life of misery. To remove this inequality the Sangha demands to declare agriculture as an industry and extend agricultural labourers all benefits of industrial labour. Declaring scientific prices for farmers and also a scientific wage policy for agricultural labourers should be announced.

In addition to this “the Sangha calls for wasteland to be converted into arable land and distributed it to the landless labourers and help them cultivate the land at the cost of Government. This reduces pressure on the land, also rural industries, cottage industries and small industries should be established in rural areas. Also the rural labourers have to be provided with better houses to live a better life. Free education for their children, health facilities and pension provision for the aged labourers have to be taken up with priority thus argues Karnataka Rajya Ryota Sangha (KRRS).

\textsuperscript{51} Ibid. P. 18