Making Things Happen

CUTS International

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Farmers' Suicides In India:

A Critique on Christian Aid's Disappointing Report

The release of Christian Aid's report on the farmers' suicides in India entitled, India: 'Fields of Despair' has received wide publicity in the country. Christian Aid's reputation as an organisation fighting for the cause of the poor and underprivileged is well-known. But the report proves to be a great disappointment.

There is much rhetoric and little analysis. The report argues that it was the government policy that drove farmers to commit suicides but fails to persuade the point. The most disturbing fact about the report is that its recommendations will, in fact, hurt the poor and are thus totally at odds with the noble intentions of Christian Aid (CA).

Quite rightly, the report concludes that the reason for farmers' suicides lies in their indebtedness. It cites many reasons for indebtedness leading to suicides. Let us consider them one by one.

Shift towards Cash Crops

CA report says "Farmers were encouraged to shift from growing a mixed bag of traditional subsistence crops to concentrating on single cash crops. This was fine while it lasted, but dangerous in the longer term as farmers found themselves competing in a volatile market."

The report provides no details of how this might have happened. Anyone familiar with agriculture knows that farmers are too practical to change their usual practices unless they sense a potential increase in their incomes. The report remains silent on the reasons behind the shift.

Cheap Imports

The report blames cheap imports resulting from the tariff and quota protection on food items for farmers' suicides. It says, "By 2001, India completely removed quantitative restrictions from nearly 1500 items including food. Oilseed production was particularly badly hit by cheap imports…."

The Hindu Business Line

The whole discussion about oil seeds is misinformed. The increase in imports of edible oil has nothing to do with the curtailment of freedom of Indian government to impose tariffs. It has the capacity to raise the tariffs. But the cost of Indian edible oil production is very high compared to that of Malaysia. If India decides to restrict the oil import completely, then the poor consumers would be badly hit.

It claims that India was forced to remove the quantitative restrictions on food items due to pressure from International Monetary Fund (IMF). This claim is not true. As per the provisions of WTO, India had the right to impose quantitative restrictions as long as it faced balance of payment (BoP) difficulties. After the improvement in its BoP position, it had to remove quantitative restrictions from imports.

Avoiding Cotton

The single most important cash crop having strong international dimension is cotton. Andhra Pradesh is one of the important cotton producing states. Also, most of the suicides in India have been reported from cotton belt in the country.

But CA report maintains silence over the cotton issue. Fall in cotton prices in the international market would have benefited the farmers in Andhra Pradesh by realising their export potential. CA report, however, does not touch this issue.

Devaluation

According to the CA report, devaluation of the Indian currency is one of the main reasons for the crisis in Andhra Pradesh and elsewhere in India. It says "The devaluation of the rupee made exports cheaper..." This sentence demonstrates wrong conceptual understanding of 'devaluation'.

Devaluation does not make export cheaper but it makes exporters more competitive in the international market. It also says in continuation that devaluation thus helped lead a change into cash crops and keep away from traditional farming. Some profited from this, but most were hit hard by the vagaries of a market, which saw world agricultural commodity prices halved between 1995 and 2001.

'Others were hit when India dropped duties and restrictions so that their crop choice was suddenly left at the mercy of cheap imports.' None of these unsubstantiated assertions stand up to scrutiny. The report again does not mention the crops whose exports got a boost due to devaluation. It does not cite any study in this context.

Continued on Page 4

INSIDE

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Floriculture Gets Boost

Floriculture is gradually becoming an integral part of the rural economy in northeastern India. The Agricultural & Processed Food Export Development Authority (APEDA) has taken an initiative of motivating growers in northeast India to take up cultivation of some exotic flowers, which are suitable to the agro-climatic conditions of the region and also have a large scope for profitable exports. The governments in northeastern states are showing great interest in the growing rural enterprise.

The Blossoms Florist Society, formed by Akruzo Putsure, a housewife and ardent amateur flower grower from Nagaland, grows anthurium in hi-tech poly houses covering an area of 6,048 square metre. About 9,600 plants are grown in one poly-house of 1008 square metre, which yields an annual gross return of Rs 9.6 lakh to Rs 11.52 lakh (approximately US$22,000 to US$26,000).

S Jafar Naqvi, Editor of Delhi-based magazine Floriculture Today says: "We will also promote growing of indigenous flowers. In the beginning, we are putting in our efforts to capture the global market, which is now dominated by exotic flowers". *(FE, 08.08.05)*

Compulsion than Choice

More than a third of Indian farmers are into farming due to compulsion rather than choice. According to a survey conducted by the National Sample Survey Organisation (NSSO), about 40 percent of Indian farming households have reported that given a choice they would take up some other career.

The reasons stated for the farmers' dislike for their profession varied. Of the 40 percent farming households disliking their profession, 27 percent did not find farming profitable and eight percent thought it was too risky, two percent disliked farming as they thought it lacked social status and the remaining three percent disliked their profession due to other reasons.

The state-wise proportion of farmers dissatisfied with their profession was: Andhra Pradesh (24 percent), Tamil Nadu (31percent), Bihar (51percent), Orissa (47 percent), Jharkhand (47 percent), and Chattisgarh (46 percent). *(FE, 02.08.05)*

Low Levels of Awareness

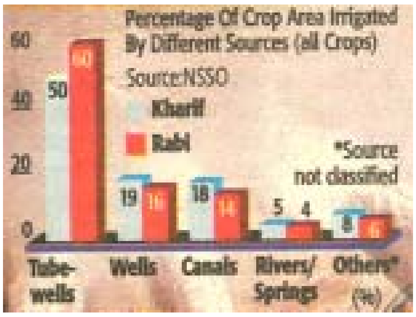
A mere four percent of farmer households had ever insured their crops and 57 percent did not know that crops could be insured. According to a report entitled 'Some aspects of farming', based on the situation assessment survey of farmers carried out by NSSO, only 29 percent of the farmers knew what minimum support price meant.

Only 19 percent of farmer households had availed services from the cooperative sector, the report said. About 29 percent of the farmer households had a member in the cooperative society, five percent had a member in a self-help group (SHG) and just two percent had a member in a registered farmers' organisation.

The Indian Ministry of Agriculture conducted the survey during January to December 2003 for the agricultural year 2002-2003. *(FE, 27.07.05)*

Scarce Sources of Irrigation

India clearly has a long way to go in providing decent irrigation facilities to its farmers, shows a recently released NSSO survey on farming practices. Barely half of the farmland receive any organised irrigation.

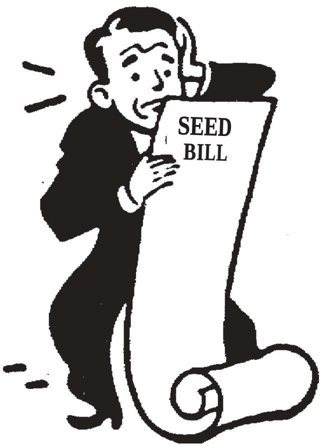


Of the various sources of irrigation, canals account for 15 percent of irrigated area, as much as 50 percent or more comes from tube wells or ground water, while tube wells account for 50 percent of irrigation in Kharif season and 60 percent in Rabi season. River and springs are the least common sources of irrigation carried out in India.

This data also points to the poor state of irrigation infrastructure in India. Inadequacy of irrigation sources puts pressure on the ground water sources, which has adverse ecological impact on the agricultural land. *(ET, 31.08.05)*

Opposition to Seed Bill

At a time, when the Central Government is talking of a big boost to the farm sector, the actual percentage of area sown under certified or quality seeds is well below 10 percent. This implies that more than 90 percent of seeds used are farmer-saved, despite the Government's annual brouhaha over 'certified seed distribution'.



The Seed Bill, which proposes compulsory registration of 'all kinds and varieties of seeds' has run into rough weather with farmers and non-government organisations (NGOs) describing the proposed legislation as 'anti-farmer'. The Bill says that the seeds exchanged among farmers will be treated as 'mis-branded', whereas farmers use 80 percent of farm-saved seeds, which are exchanged freely amongst them.

Also, it is silent about the compensation for crop failure to be paid to the farmers. *Bharat Krishak Samaj* (BKS), the ruling Congress party's farmers' outfit, has also opposed the legislation. "The Bill seeks to create corporate monopoly over agriculture. The farmers will be reduced to non-entities and will have to depend upon domestic seed companies and multi-national corporations (MNCs) for supply of high priced seeds every year" are the views of BKS' Executive Chairman, Krishna Bir Choudhary.

(FE, 15.08.05 & ET, 26.07.05)

Row over *Basmati* Rice

Basmati rice has travelled a long journey from its original home in Dehradun district to various parts of India and the Punjab province of Pakistan but not in its traditional form. Over the years, scientists have developed several varieties naming them as *Basmatis*. Many of these aromatic rice varieties do not contain any traditional content of the original *Basmati*.

Owing to the selection of right varieties, its registration under geographical indication is being delayed. Consequently, the European Union (EU) that wants its customers to have the taste of original and traditional *Basmati* is willing to reduce its high tariff barriers to facilitate easy entry.

It has decided to conduct Deoxyribonucleic acid (DNA) fingerprinting tests to determine the presence of traditional strains in imported *Basmati*. This decision was also the fallout of exporters selling various aromatic rice varieties branded as *Basmati*. *(FE, 05.09.05)*

Cotton Growers & Textile Mills

In order to bring cotton growers and textile mills closer, the South India Cotton Association (SICA) is exploring the possibility of promoting a Cotton Agro Foundation in Tamil Nadu. As per SICA sources, the foundation would focus on farmer-oriented activities like cotton contract farming and establishing linkages with various government funding organisations.

Since cotton growing farmers in the state were not well aware of the various government schemes, the foundation, after creating awareness about cotton cultivation funding agencies, would motivate the growers by offering best farmer awards. The South India Mills' Association (SIMA) and its research wing SIMA-CDRA would also join in this effort. *(ET, 01.08.05)*

Textile Exports Shoot Up

India's textile exports to the US and EU have marked a quantum jump during first half of the current calendar year (January-June 2005), marking strong performance after the elimination of quotas. In the US market, India's exports achieved a growth of 29.5 percent while it showed a growth of nearly 75 percent in the EU. In terms of growth of imports of textiles and clothing (T&C) to the US, India stands next only to China.

Imports of Textiles & Apparels Into USA

	Jan-June 2004	Jan-June 2005	% Growth
Total Imports	38174-07	42365.90	10.98
India	1797.13	2328.17	29.58
China	6432.91	10750.29	67.11
Vietnam	1233.42	1261.83	2.3
Indonesia	1257.74	1430.93	13.77
Bangladesh	911.49	1107.24	21.48
Pakistan	1191.51	1321.64	10.92
Turkey	853.57	813.43	-4.74
Brazil	227.26	228.83	0.69

Source: OTEXA

Referring to specific products, B K Patodia, Chairman of Textiles Exports promotion Council pointed out that India's exports of items like cotton yarn, knitted fabrics and home textile products have registered a positive growth.

He further stated that with fresh restrictions being put on China by the EU and imminent threat of further restrictions being imposed by the US, exporters of textiles and garments from India have good opportunities to increase their sales in these markets. *(FE, 02.09.05)*

Facelift for the Handloom Sector

The long neglected handloom sector has always been plagued with problems of marketing, low returns and defunct cooperative societies. In order to give it a facelift, the Government has initiated a scheme for integrated development of handloom clusters.

The scheme takes up an integrated approach, taking all players into account and with total intervention by the government at all stages of production, processing and marketing. Its objective is to make the sector commercially viable and sustainable.

The scheme has an outlay of Rs 40 crore (approximately US$9100,000) for the development of 20 clusters in 2005 year. The National Institute of Fashion Technology (NIFT) is rendering an active support to the government and thus the approach for the first time, combines students and faculty. The institute will set up 'design studios' in order to integrate the artisans and designers. Common facility centres at the village level will also be set up. *(FE, 12.07.05)*

Women Set to Outnumber Men

The number of women employees in the apparel-manufacturing sector is expected to cross 50 percent of the total workforce by the year 2010 from the current level of 36 percent. With this, women will outnumber men in this sector.

'The number of female workers is expected to increase phenomenally after the enactment of a legislation, allowing women to work in night-shifts,' said K K Jalan, Secretary General of Apparel Export Promotion Council (AEPC).

The dismantling of textile export quota has positioned India in an advantageous position and huge manpower is required in the labour-intensive apparel sector. 'As a result of the new law, the sector may witness an immediate jump of five percent in the number of women workers,' Jalan said. *(ET, 27.07.05)*

NTBs Impede Market Access

Non-tariff barriers (NTBs) are increasingly impeding Indian multi-billion dollar textile exports and the affected markets range from the US and the EU to Bangladesh and Nigeria. Emerging NTBs could hit India's plans to increase its textile exports to US$50bn by 2010 and negate the advantages supposed to enlarge due to the scrapping of export quotas.

Neighbouring countries like Bangladesh have also imposed a number of curbs on Indian textile exports by providing cash subsidy to exporters using local cotton yarn, discouraging them from using Indian cotton yarn.

Some of the NTBs pointed out by the exporters were:

- additional costs due to delay in clearance of shipments because of increasing security concerns and lengthy customs administrative formalities;
- concessions granted through North American Free Trade Area (NAFTA), African Growth and Opportunity Act (AGOA) of the US, the EU's Everything But Arms (EBA) initiative;
- labour standards imposed by buying houses; and
- environmental standards insisted upon by buyers. *(ET, 17.08.05)*

Facilitating Indian Textile Products

In order to improve Indian textile products so that they can become more competitive and gain benefit from the withdrawal of the quota regime under the multi-fibre agreement, the Government has launched a Scheme for Integrated Textile Park (SITP). The project is formed by merging the scheme for Apparel Parks for Exports (APE) and the Textile Centre Infrastructure Development Scheme (TCID).

The scheme will provide the industry with world-class infrastructure facilities for setting up textile units. Each Integrated Textile Park (ITP) is expected to have at least 50 units with a total estimated investment of Rs. 750 crore (approximately US$1.7mn). Each park will provide employment to 20,000 people on an average, thus facilitating the creation of five lakh new jobs.

The ITPs may also be set up in special economic zones. The textile ministry will sign a memorandum of understanding (MoU) with the Infrastructure Leasing & Financial Services (IL&FS), which will act as the project management consultant. *(FE, 05.08.05 & 28.08.05)*

India's Foodgrain Export

In order to establish the fact that Indian agriculturists shifted to export-oriented agriculture in a big way, the report cites Indian environmentalist Vandana Shiva: "What has still not been truly brought to light is the effect this export-oriented market has had on India's ability to feed itself. As exports of basic foodstuffs such as rice and wheat increased, stocks for domestic consumption to feed the poor and kept in reserve to meet the contingency of famines have plunged."

This statement displays a complete ignorance of the situation. India's mounting foodgrain stocks (wheat and rice) with the Food Corporation of India (FCI) a state-owned body, has been a serious problem facing Indian government. The only reason for such an excessive build-up is of the government's misguided support price policies. It is in Punjab and Haryana (wheat growing states) and in Andhra Pradesh (rice) where central government procures wheat and rice at support price if the market falls below this price.

During the decade of 1990s when the process of liberalisation was initiated, the state intervention in the food grain market through support price in the green revolution belt, in fact, increased. The trade distorting subsidy in the developed countries which caused fall in price of wheat and rice also frustrated these farmers as these subsidies eroded their export competitiveness. Large food grain stock started rotting in the government's warehouses. The Indian government emerged as the biggest grain hoarder while millions continued to suffer (from hunger) due to the lack of purchasing power.

It exported wheat and rice at a price well below the price at which poor in India purchased it from the fair price shops. In a way, it was export subsidy to the consumers abroad. It was inevitable as the international prices were (and still are) well below the domestic prices. So a poor country exported the food grains with subsidy! The export of wheat and rice was not the result of liberalisation. It was the result of market distorting state intervention. What need to be blamed are the protectionist policies at home as well as those in the developed countries. The later strengthened demand for protectionism at home. It is unfortunate that CA report should rely on such interpretation of export of wheat and rice.

Credit Squeeze

This is cited as another important reason for the crisis in Andhra Pradesh leading to suicides of farmers. The reforms in the banking sector are held responsible. But here again, it is forgotten that reforms in banking sector were carried at national level.

Down to Earth

Why would it affect credit supply to only the farmers in Andhra Pradesh leading to their indebtedness and then to suicides? What specific policies of the State Government were responsible? The report does not answer any of these questions.

DFID's Role

One of the main themes of the report is that Department for International Development (DFID) is 'selling suicides' by pushing its 'neo liberal' philosophy in Andhra Pradesh. But here again, it has failed to mention specific measures affecting farmers and their correlation with farmers' suicides.

However, there is one exception. The report points out that Andhra Pradesh's Seeds Development Corporation (APSDC) was so restructured that several of its seed-producing units were closed down. This eroded the supply of quality seeds to farmers.

But it should be noted that during the decade of 1990s, many private seed producing firms have appeared on the scene and the role of public sector has receded. In fact, this has happened in many parts of the country. And if spurious seeds were one of the main reasons for the farmers' suicides in Andhra Pradesh, the anecdotal account of farmers' deaths, which the report carries, has no mention of it.

Subsidy and Indian Agriculture

Throughout the report, it is claimed that during the period of liberalisation various subsidies provided to the farmers have been reduced drastically. But once again, this claim is not true. In fact, the subsidies on fertilizer, irrigation, electricity as well as the support prices to farmers in green revolution belt have been increasing. The only thing on decline has been the public investment in agriculture.

All these subsidies are concentrated in the irrigated agriculture of the country, which is a very small part of India. These subsidies have led to the overuse of water and fertilizer causing serious environmental problems in the green revolution belt. Dry land or rain-fed agriculture is where most of the poor in India live.

But any policy change in this direction in India is being resisted by the well-intentioned but misguided organisations that use the convenient label of 'neo liberal' to damn what they do not understand.

Christian Aid's report is no exception to this practice. On the one hand, it absolves the unfair subsidy regime in the developed countries by not touching upon its adverse effects on Indian agriculture. On the other hand, it provides political support to the protectionist politics in the country which in the name of poor, advance anti-poor politics. Christian Aid should revisit the analysis and findings of its report.

(This critique is written by Milind Muruglar, an independent researcher and associated with SAMARTHAN, the GRANITE partner in Maharastra. Views expressed are those of the writer, who can be reached at milind.murugkar@gmail.com.)

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