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**Crisis in the Countryside:**  
Farmer Suicides and The Political Economy of  
Agrarian Distress in India

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## **Abstract**

The recent spate of suicides among farmers in India today is a manifestation of an underlying crisis in agriculture which is a result of the marginalization of agrarian economy in national policy since the economic reforms of the 90s. Given the apparently insurmountable political power of the rural lobby at the end of the 80s, this would seem as a paradox. A nuanced analysis reveals, however, that there are economic constraints to how far rural power can go, in addition to self-limitations to its collective action due to conflicting identities like class, caste, region and religion. In part the marginalization of agriculture since the 90s might be explained by the shrinking policy space for national governments under increasingly supranational regimes of a changing global political economy. But to the extent that the change in economic priorities was a choice that the Indian government made, the political feasibility for this was provided by the growing ethnicization and communalization of political discourse in India since the 90s which subsumed the political force of the agrarian interest. The relative quiescence in Farmers' Movements today is also to be seen in the context of the slow but remarkable flux within the contemporary rural society which is changing the identities of the farmers and how they relate to farming and the village.

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## Abbreviations

AC.....	Advanced Country
AP.....	Andhra Pradesh
APC.....	Agricultural Prices Commission
APSADC.....	Andhra Pradesh State Agriculture Development Corporation
APSSDC.....	Andhra Pradesh State Seeds Development Corporation
BC.....	Backward Caste
BJP.....	Bharatiya Janata Party
BKU.....	Bharatiya Kisan Union
BLD.....	Bharatiya Lok Dal
Bt.....	Bacillus thuringiensis
CACP.....	Commission for Agricultural Costs and Prices
CPIAL.....	Consumer Price Index for Agricultural Labour
DAP.....	Di Ammonium Phosphate
DC.....	Developing Country
FCI.....	Food Corporation of India
GDP.....	Gross Domestic Product
GCF.....	Gross Capital Formation
GoAP.....	Government of Andhra Pradesh
GoI.....	Government of India
GoP.....	Government of Punjab
HYV.....	High Yielding Variety
MSP.....	Minimum Support Price
NSSO.....	National Sample Survey Organization
SC.....	Scheduled Caste
ST.....	Scheduled Tribe
UP.....	Uttar Pradesh
WTO.....	World Trade Organization

**1988:**

“The peasants have started to flex the political muscles that their economic betterment has given them ... [T]hey have acquired the capacity to launch the kind of sustained struggle they have. It is going to be difficult to [...] contain them...because they command the vote banks in the countryside to which every party seeks access...A new spectre of peasant power is likely to haunt India in coming years.”

Editorial in *Times of India*, Feb 3 1988,  
following farmer agitations for higher prices and subsidies in Western Uttar Pradesh

...

**2005:**

“Agriculture [in India today] is an economic residue that generously accommodates non-achievers resigned to a life of sad satisfaction. The villager is as bloodless as the rural economy is lifeless. From rich to poor, the trend is to leave the village...”

Dipankar Gupta, *The Vanishing Village*

## **1. Introduction: Crisis in the countryside**

“Something is terribly wrong in the countryside.”

M.S.Swaminathan, Former Chairman, National Commission of Farmers, 2006

The summer of 2004 was a particularly dark chapter in the history of rural Andhra Pradesh. Between May and July 2004, more than 400 farmers in the state committed suicide (Sridhar 2006). This was an alarming surge in the ongoing spate of suicides among farmers. Andhra Pradesh was not alone. Similar incidents were reported regularly from Kerala, Karnataka, Tamil Nadu, Maharashtra, Gujarat and Punjab. Between 1995 and 2004 over 150,000 farmer suicides were reported in India (Mishra 2007), and the number continues to grow at a disturbing average of 10,000 a year (BBC 2008).

Desperate indebtedness was found to be the common thread that ran through most of the reported suicides. Deeper analyses, however, reveal that indebtedness is only a symptom. The suicides were a manifestation of growing distress in Indian agriculture. The report of the Expert Group on Agricultural Indebtedness appointed by the Ministry of Finance noted that there has been a distinct slowdown in agricultural growth over the past two decades. Stagnant technology, rising input prices, weakening support systems and declining profitability have all made cultivation a highly risky and un-remunerative enterprise, threatening the livelihoods of farmers, particularly the small and marginal ones. It concluded that agriculture in India is passing through a ‘severe crisis’ (GoI 2007).

Stepping back in time, however, not long ago the present crisis would have seemed an impossibility. Upon independence the Nehru-Mahalanobis Planning model started by treating agriculture as a ‘bargain basement’ in favour of industrialization. But the death of Nehru and the subsequent ‘New Agricultural Strategy’ of C. Subramaniam marked the beginning of what was to be a gradual ascension of agrarian interests in the national policy agenda. The miracle technologies of the ‘Green Revolution’ aided by input subsidization by the government led to big increases in the wealth and political powers of the rich peasants. This ‘rural lobby’ with its power to mobilize and command the support of millions of farmers pressed for increasing subsidies and

output prices. ‘Rural power’ grew so strong that no political party could afford to ignore their demands. The basic economic postulate for structural transformation of a developing country – that of transferring resources from agriculture to industry – became a political impossibility, and notwithstanding the ‘urban-bias’ arguments of the farmer lobbies, there was a net transfer of resources into agriculture during the first three decades after independence (Varshney 1995 citing Krishna 1987). Rallying behind the compelling rhetoric of a *Bharat*-India divide<sup>1</sup>, the 80s saw the peasants ‘flexing their political muscles’ in the great spectacle of the ‘New Farmers’ Movements’ when tens of thousands of farmers marched to New Delhi agitating, successfully, for higher agricultural prices and ever greater subsidies. Capturing the mood of the moment, a *Times of India* editorial in 1987 announced that ‘a new spectre of peasant power’ was ‘likely to haunt’ the country for years to come (*ibid.*).

It is clear from the current crisis, however, that the agrarian interest is much more marginalized in the national policy agenda today. Given the political impossibility of this only two decades ago, how did this happen? My dissertation is an attempt to make sense of this paradox.

My argument will proceed along the following lines: using Varshney’s (1995) analysis I will first suggest that the farmers’ demands run against some countervailing economic constraints: a plateauing of technology, a demand-constraint from India’s poor if food prices kept being raised, and the fiscal limits of increasing subsidization. To the extent that these constraints are politically manipulable, the strength of collective action needed for this might not obtain, as the multiple social identities of farmers dilute a unity based on a purely economic interest. Further, upon nuanced analysis the ‘universal’ claims in the ‘rise of *rural* power’ do not hold: the Farmers’ Movements may after all have served the interests only of a specific class of farmers within the group, and the populist ‘sectoral’ discourse of the movements may have hidden the underlying class-bias of their demands, and their gains. Lending further plausibility to the problematic nature of seeing ‘rural India’ universally united in its occupational interests is the fact that the Farmers’ Movements were overwhelmed by,

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<sup>1</sup> *Bharat* is the Hindi name for India, notionally subsuming the oppressed rural many, and India, the English name representing the dominant urban few

and subsumed under, rising ethnic and communal politics since the 90s. Seen in this way, then, it would seem that 'rural India' is neither infinite in its power, nor undifferentiated in its interests. The apparent *paradox* in the rise and fall of *rural* power may, after all, have been too sharply emphasised.

All of which is not to deny that there has been a definite marginalization of the agrarian interest in national policy since the 90s. In my analysis of the state of agriculture in India today, I will establish that the reforms of the 90s and the shift in economic priorities of the Indian government led directly to stagnation in agriculture and hardships for farmers. This shift is related to the changing global political economy of development which is increasingly curtailing the policy space available for national governments to pursue policies in the interest of their own citizens. However, to the extent that the policy priorities *are* a choice for the government, I will identify some of the changes in the political landscape of the country which made this shift politically feasible when precisely such a shift seemed 'impossible' to contemplate only a decade before. Post *Mandal* and *Mandir*, there has been an increasing use of ethnicity and religion as the currency of electoral mobilization in India. In making available 'new' socio-political categories of vote-banks this may have released the political parties from the electoral obligation of appealing to 'the farmer' and 'the village'. In addition to this, the relative quiescence in the Farmers' Movements today, I will argue, has to be seen in the context of the flux in contemporary rural society's social and economic structures whereby the identities of the 'villager' and the 'farmer' and how they relate to 'the village' and 'farming' are themselves changing rapidly (Gupta 2005).

A note on data: My analysis concerns the political economy of agricultural policy at national level. There has historically been a gap in how this policy translates into implementation at state levels, and accordingly an inter-state variation in agricultural indicators (Varshney 1995). In my micro-level analysis of issues, I have used data from Andhra Pradesh to make particular demonstrations. This is because Andhra Pradesh has the dubious distinction of being the state with the highest number of farmer suicides [about two-fifths of the total number (Suri 2006)], and also of being one of the states which embraced liberalization, including in agriculture, most aggressively right from the start, which brings into sharp relief the contradiction of the

state's economic development policies. The choice is due in addition to a personal interest which comes from growing up in the state and being constantly aware of this contradiction. However, this does not compromise the applicability of the analysis to other states as available studies from all other affected states confirm similar aspects to the agrarian crisis throughout.

The dissertation is organized as follows. In the form of an analytical narrative, Chapter 2 traces the rise and consolidation of the power of the rural lobby and the political economy of India's pro-rural policy by the end of the 80s. Chapter 3 provides macro and micro analyses of the state of agriculture in India, and in particular how the stagnation in agriculture is translating into a constellation of risks and problems for the farmers and leading to their suicides. The crisis brings forth the paradox of 'rural power'. Chapter 4 offers a resolution of this apparent paradox, by identifying the limitations of rural power and the changes occurring in the political landscape of the country in general and rural society in particular which influence the fortunes of the farmers' movements, and farmers. In conclusion, Chapter 5 contextualises the argument in the ongoing debate about the prospects for the peasant in India.

## **2: The Impossibility of the Crisis?**

### **The Political Economy of India's Pro-Rural Policy**

**1947 – 1990**

#### **2.1 The Agrarian Question:**

##### **The political economy of 'town-country' struggles**

It is an established fact in development economics that the process of development involves a structural transformation of the economy whereby there is a shift both in terms of the value of output and of employment from primary (agriculture) to secondary and tertiary (manufacturing and services) sectors. This is because there are limits to how much a purely agricultural economy can grow because of limitations in demand for agricultural products. Therefore, as economies develop and societies modernize, agriculture declines and there is a transfer of resources from agriculture towards industrialization. However, *transferring* resources from agriculture has to be distinguished from *squeezing* agriculture. That industrialization eclipses agriculture is a given. But the *terms* on which this happens is 'the agrarian question' i.e., how to transfer resources from agriculture to other sectors of the economy, while still developing it to provide affordable food and raw materials, and livelihoods to agriculturists. This is the central question of 'town-country' debates (Varshney 1995; Corbridge & Harriss 2000).

The answer to this question has both economic and political implications. The economic aspect deals with how to industrialize and develop agriculture at the same time. But this invariably involves conflicts and coalitions, frequently taking the form of zero-sum games between agriculturists and industrialists. These are the subject of the political economy of the question.

In India, 'town-country debates' have been a constant presence in the political and economic landscape. The Nehru-Mahalanobis years treated agriculture as a 'bargain basement' in the context of a larger development strategy which favoured industrialization, but a decisive shift in agricultural policy happened after the death of Nehru. The subsequent 'Green Revolution' heralded what was to be a gradual rise and

consolidation of farmers' political power, the 'ruralization' of Indian politics. This chapter traces this rise of 'rural power' and the political economy of what came to be a clearly pro-rural policy by the end of the 80s.

## **2.2 The Nehru-Mahalanobis Years (1947 – 1964):**

India's agricultural situation at Independence was bleak. During the four decades preceding 1947, food grain output grew by a mere 12%, while the population grew by over 40%, resulting in a decline in per capita food availability. Irrigation was dire, covering only 15% of the cultivated land, the rest being at the mercy of the monsoons. The 1942 Bengal famine in which a million people died was still fresh in the memory. The task of transforming agriculture was daunting and urgent (Varshney 1995).

That production had to go up was clear, but the way in which to incentivize the peasant<sup>2</sup> to do this was intensely debated. On the one hand was the technocratic approach: increasing the output (food) prices, investing in new agricultural technologies and encouraging the peasant to adopt them by giving subsidies on inputs. But, the Planning model with its industry-bias was committed to keeping food prices low because they impacted the wage and inflation levels in the economy, and these had to be kept low in order to facilitate industrialization. The existing microeconomic theories on peasant behaviour (Mellor 1966) supported the choice of keeping food prices low: the peasant was viewed as price-unresponsive, with a backward-bending supply curve – in response to higher prices, being tradition-bound and not profit-maximizing; he would cut production instead of increasing it, going only for a level of income that satisfied consumption. Therefore, a 'cheaper' institutional approach was taken to increase productivity. This approach had three constitutive elements: *land reforms* to provide incentives to the actual tiller to produce more; *farm and service co-operatives* to bring in economies of scale and better access to inputs; *local self-government* with principles of universal suffrage and majority voting to enable the poor to ensure that the reforms and co-operatives were not captured by the landed oligarchy in complicity with local bureaucracy (Varshney 1995).

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<sup>2</sup> I use the terms "peasants", "farmers" and "rural sector" interchangeably in this dissertation.

The deeply entrenched structural problems in Indian agriculture did justify this approach. Penetratingly summarised by Daniel Thorner as a built-in ‘depressor’, the agrarian structure at the time of independence with its profound inequalities in landownership and exploitative production relations that made it possible for the landlords to extract huge rents, usurious interest and speculative trading profits from the mass of peasantry and limited the possibilities of investment to raise productivity. Nehru’s choice of the institutional strategy, apart from being part of his ideological commitment to equality and socialism (Weiner 1987), was meant to address this constraint on productivity (Varshney 1995).

By the mid-60s, however, this strategy was in disarray. Although there was a significant increase in production between 1951-52 and 1959-60, this was due to favourable monsoons and expansion of *acreage* not *yield*. Production became stagnant by the mid-60s, and two consecutive failed monsoons in 1965 and 1966 pushed the country to the brink of famine. The failure has been attributed to a lack of political microfoundations which were required for any earnest implementation of the institutional strategy. Much of the implementation was down to the state governments, where the rich landlords had more influence and in complicity with upper-caste bureaucrats, managed to maintain the *status quo*. Accordingly, not much progress could be made on land reforms. Instead of the poor controlling the local governance, *panchayats* became yet another source through which the local ‘influentials’ wielded power, with the effect that the strategy served to deepen the structural problems and further empower the rich peasants – precisely the class it was to dislodge from power (*ibid.*)

### **2.3 The Subramaniam model and the arrival of the ‘Green Revolution’:**

The mid-60s were marked by the death of Nehru, the ‘passing of the tall men’ (Kothari 1970), and a decisive shift in India’s agriculture policy. Between 1964 and 1967, led by the new Agriculture Minister C. Subramaniam, the strategy was fundamentally changed from an institutional model to a technocratic one. This model had three components: economic – price incentives to motivate farmers to produce more; technological – investments in technology to increase yields; and organizational – creating new institutions to support the other two components. The approach was

complemented at the time by advances in agricultural technology and the discovery of High Yielding Variety (HYV) seeds, the ‘miracle seeds’ of Norman Borlaug (Varshney 1995.).

All of these changes translated into a very different form of state intervention in agriculture. Price incentives had to be complemented with price stability, and producer incentives were to be reconciled with consumer welfare (food prices having far-reaching economic and political implications). This necessitated the establishment of two new institutions: the Agricultural Prices Commission (APC), which made price recommendations which were reasonable to producers, and the Food Corporation of India (FCI), which bought and sold grains at that recommended price. Technology policy led to strengthening of agricultural research institutes, foreign collaboration, and introduction of specialist agricultural extension officers (*ibid.*).

The most important change, however, was the hugely increased fiscal demands brought about by this policy shift. The HYV package necessitated more expensive seeds, greater amounts of controlled water (irrigation) and chemical fertilizers. In order to incentivize farmers to adopt the new technology the government *had* to invest in irrigation, provide huge subsidies on inputs, and spend scarce foreign exchange in importing chemical fertilizers which were imperative to the success of the new strategy. All of this in the absence of sufficient revenues to support the new fiscal demands (taxing agriculture was politically infeasible) meant deficit financing, and threats of inflation. Predictably, this led to severe inter-bureaucratic struggles between the Finance Ministry (and Planning Commission) and Food and Agriculture Ministry, in which the latter prevailed (*ibid.*).

The success of the ‘New Agricultural Strategy’ was soon evident. From 74.2 million tons in 1966-67, food grain production shot up to 108.4 million tons by 1970-71. The area under HYV seeds went up from 1.9 million hectares in 1966-67 to 15.4 million hectares by 1970-71. The new technology had caught the fancy of farmers in the irrigated belt. A ‘Green Revolution’ was underway (*ibid.*).

## **2.4 Political legacy of Green Revolution:**

### **The rise of the rich peasant**

By the mid-60s, the rich peasantry had grown further in political power at state levels, having captured most of the benefits of the institutional strategy. Furthermore, the new strategy, with its explicit 'betting on the strong' approach, steered the newer agricultural technologies towards those parts of the country in which the rich peasants were powerful (Punjab, Haryana, and western Uttar Pradesh), and towards them in particular. This started a process of locking them into a positive spiral of further increasing wealth (Corbridge & Harriss 2000).

Alongside increasing wealth came increasing political power. The proportion of agriculturists in parliament was on the rise. This was also when Chaudhary Charan Singh, a powerful rural ideologue and leader of Bharatiya Lok Dal, a party with a strong following among the peasant castes of North India, emerged as a central figure in the Janata Party coalition which came to power in 1977. The politics of commodity-producing rich peasantry was to demand higher agricultural prices and greater subsidies. With Charan Singh in power, their voice directly entered the highest strata of policy formulation. Rural politics were now nationalized. With an increasing proportion of agriculturists in the APC, highly politicized battles over prices and subsidies followed. With Charan Singh's '*kulak* budget' of 1979, which had the 'breath of the people and smell of the soil' (i.e., further huge agricultural subsidies) the policy process had taken a clearly pro-rural direction (Varshney 1995: 105).

### **2.5 The 'New Farmers' Movements': *Bharat vs. India***

Along with the nationalization of rural politics, by the end of the 70s, new ideologies of rural political mobilization took root. Starting with Charan Singh's landmark rally in December 1978 in which an estimated one million farmers marched to Delhi protesting 'betrayal' by the Janata government, the 1980s were marked by the spectacle of tens of thousands of farmers marching to Delhi on a frequent basis. This 'new' agrarianism was remarkable. It was not 'revolutionary' in the sense of the exploited-landless against the landlords, but 'reformist' in the sense of pressuring the government for remunerative prices, loan waivers, and a better urban-rural balance in

resource allocation. The mobilizing ideology was populist, captured by the compelling imagery of a *Bharat* – India divide relentlessly propagated by its leaders, notably Sharad Joshi (who coined the slogan) of *Shetkari Sanghatana* in Maharashtra, and Mahinder Singh Tikait of *Bharatiya Kisan Union* (BKU) in Punjab and Western Uttar Pradesh. With this *sectoral* appeal, they could transcend the class and other cleavages that would otherwise work against such large-scale collective action, including among its supporters small and marginal farmers whose gains from the demands were questionable (*ibid.*).

Although the organizations leading these mobilizations were on the whole non-party and refrained from contesting elections, these mobilizations were so powerful that they rocked the politics of many states in the 80s like Tamil Nadu, Karnataka, Maharashtra, Gujarat, Punjab and Uttar Pradesh. All political parties felt compelled to reformulate their programmes in support of these demands and the national media acknowledged the strength of the new peasant leaders. Rural India by the end of the 80s had come to enjoy unprecedented political visibility and policy influence (*ibid.*).

### **Taking Stock: the rise and rise of rural power?**

There was a gradual ascension and consolidation of rural India's political power by the end of the 1980s. No political party could afford to alienate the agrarian interest. But the crisis in agriculture today would suggest a clear marginalization of the agrarian interest in the national policy agenda. What changed? And how is one to understand this apparent paradox?

### 3. The Crisis:

## The Agrarian Distress and Farmer Suicides

### 3.1 Macro Analysis of the Current State of Indian Agriculture:

(Note: National level data in this section has been taken from the report of the Expert Group on Agricultural Indebtedness (GoI 2007) unless otherwise stated.)

**Structural perversion and falling productivity in agriculture:** In keeping with the ‘structural transformation’ of the economy, as expected, the sectoral distribution of GDP in India has seen a declining share of agriculture. However, the concomitant labour force shift has been less than commensurate. Accordingly, in 2004-05, the share of agriculture in GDP was 20.2%, and yet the workforce employed in agriculture was still 56.5%. This structural discrepancy means there is a large and growing difference in inter-sectoral relative productivities, with productivity of workers in agriculture being one-fifth (20%) that of those in non-agricultural occupations in 2004-05 (Table 3.1).

**Table 3.1**  
**Share of Agriculture in GDP and Employment**

Year	Share of Agriculture in GDP at 1999-2000 Prices (%)	Share of Agriculture in Employment – UPSS (%)	Ratio of Worker Productivity in Agriculture to Non-Agriculture	Ratio of Worker Productivity in Non-agriculture to Agriculture
1972-73	41.0	73.9	0.26	3.92
1993-94	30.0	63.9	0.24	4.12
1999-00	25.0	60.2	0.22	4.55
2004-05	20.2	56.5	0.20	5.12

Note : GDP denotes Gross Domestic Product and UPSS denotes Usual Principal and Subsidiary Status.

Source : Central Statistical Organisation (CSO), *National Accounts Statistics*, Various Years and National Sample Survey Organisation (NSSO), *Employment and Unemployment Situation in India*, Various Rounds. cited in GoI (2007)

**Increasing marginalization of peasantry:** This high burden of labour force has, in addition, been falling on a slowly contracting cultivable land area. Between 1960 and 2003, the number of holdings doubled from 51 million to 101 million, while the area operated declined from 133 million hectares to 108 million hectares (Table 3.2). This

has led to a sharp decline in the average size of the holding, leading to increasing number of small and marginal farmers<sup>3</sup>.

**Table 3.2**  
**Certain Key Characteristics of Operational Holdings**

		1960-61	1970-71	1981-82	1991-92	2003
		(17 <sup>th</sup> )	(26 <sup>th</sup> )	(37 <sup>th</sup> )	(48 <sup>th</sup> )	(59 <sup>th</sup> )
1.	Number of operational holdings (millions)	50.77	57.07	71.04	93.45	101.27
	1. 1 Percentage increase	—	12.4	24.5	31.5	8.4
2.	Area operated (million hectares)	133.48	125.68	118.57	125.10	107.65
3.	Average area operated (hectares)	2.63	2.20	1.67	1.34	1.06

Source : NSSO, *Some Aspects of Operational Land Holdings in India*, Various Rounds.  
cited in Gol (2007)

Accordingly, the proportion of marginal landholders has increased from 39.1% in 1960-61 to 71% in 2003, and among them they only operate 22.6% of the land (Table 3.3). This continuing skewed pattern of land ownership reflects the lack of earnest land reforms. Increasing marginalization forces the farmers into sharecropping and renting additional land. This leads to difficulties like insecurity of lease, increasing costs and inadequate returns from production, and difficulties in accessing credit (Assadi 1998).

**Table 3.3**  
**Changes in the Size Distribution of Operational Holdings and Operated Area :**  
**1960-61 to 2002 -03**

Category of Holdings	Percentage of Operational Holdings					Percentage of Operated Area				
	1960-61	1970-71	1981-82	1991-92	2003	1960-61	1970-71	1981-82	1991-92	2003
	(17 <sup>th</sup> )	(26 <sup>th</sup> )	(37 <sup>th</sup> )	(48 <sup>th</sup> )	(59 <sup>th</sup> )	(17 <sup>th</sup> )	(26 <sup>th</sup> )	(37 <sup>th</sup> )	(48 <sup>th</sup> )	(59 <sup>th</sup> )
Marginal	39.1	45.8	56.0	62.8	71.0	6.9	9.2	11.5	15.6	22.6
Small	22.6	22.4	19.3	17.8	16.6	12.3	14.8	16.6	18.7	20.9
Semi-Medium	19.8	17.7	14.2	12.0	9.2	20.7	22.6	23.6	24.1	22.5
Medium	14.0	11.1	8.6	6.1	4.3	31.2	30.5	30.1	26.4	22.2
Large	4.5	3.1	1.9	1.3	0.8	29.0	23.0	18.2	15.2	11.8
All Sizes	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source : NSSO, *Some Aspects of Operational Land Holdings in India*, Various Rounds.  
cited in Gol (2007)

<sup>3</sup> The 59<sup>th</sup> Round of the NSS defines marginal farmers as those possessing 0.01-1.00 hectares, small as those with 1.01 – 2.00 hectares. Large farmers were those with >10.00 hectares

**Declining growth rates:** Growth rates of agriculture have been on the decline, most visibly in the post-reform period. The growth rate by gross product (GDP from agriculture) fell from 3.08% during 1980-81 to 1990-91, to 2.57% during 1992-93 to 2005-06 (Table 3.4). This included a dip to 1.3% in 1999-2000 and even a negative growth of -2% in 2000-2001 (Majumdar 2002)

**Table 3.4**  
**Growth of Gross Domestic Product (GDP), Sectoral GDP and Per Capita Income**

(1999-2000 prices)

Year	Agriculture	Industry	Services	GDP at factor cost	Per capita NNP at factor cost
1980-81 to 1990-91	3.08	5.79	6.54	5.15	2.82
1992-93 to 2002-03	2.61	5.82	7.65	5.85	3.89
1992-93 to 2005-06	2.57	6.05	7.72	6.00	4.10
1950-51 to 2005-06	2.54	5.19	5.40	4.26	1.94

Note : Growth is Compound Annual Growth Rate, NNP denotes Net National Product.

Source : CSO, *National Accounts Statistics*, Various Years  
cited in Gol (2007)

The growth rate by yield of all crops taken together fell from 3.19% during 1980-81 to 1990-91, to 1.58% during 1990-91 to 2003-04 (Table 3.5)

**Table 3.5**  
**Growth of Area, Production and Yield of Major Crops in India: 1980-81 to 2003-04**

Crop	1980-81 to 1990-91			1990-91 to 2003-04		
	Area	Prdn	Yield	Area	Prdn	Yield
Rice	0.40	3.56	3.47	0.15	1.14	0.99
Wheat	0.46	3.57	3.10	0.74	2.13	1.35
Coarse Cereals	-1.34	0.40	1.62	-1.58	0.25	1.87
Total Cereals	-0.26	3.03	2.90	-0.25	1.32	1.58
Total Pulses	-0.09	1.52	1.61	-0.87	-0.74	0.16
Foodgrains	-0.23	2.85	2.74	-0.44	1.16	1.11
Sugarcane	1.44	2.70	1.24	1.41	1.22	-0.16
Oilseeds	1.51	5.20	2.43	-1.07	0.18	1.26
Cotton	-1.25	2.80	4.10	0.82	0.15	-0.69
Non-Foodgrains	1.12	3.77	2.31	-0.09	1.20	0.62
All Crops	0.10	3.19	2.56	-0.25	1.58	0.90

Note : Growth is Compound Annual Growth Rate. Prdn denotes Production.

Source : Ministry of Agriculture, *Area and Production of Principal Crops in India*, Various Years  
cited in Gol (2007)

State-wise disaggregation of the data shows that this deceleration has occurred in most states except Bihar, Gujarat and Orissa. Even these states had a low base and the growth rates were very low (Table 3.6).

**Table 3.6**  
**Growth of Agricultural GSDP and GSDP across States**

State	1983-84 to 1993-94 (at 1980-81 Prices)		1993-94 to 2003-04 (at 1993-94 Prices)	
	Agricultural GSDP	GSDP	Agricultural GSDP	GSDP
Andhra Pradesh	3.05	4.58	2.80	5.63
Assam	2.12	3.51	0.51	2.93
Bihar	-0.45***	2.69	2.50	5.34
Gujarat	0.84***	5.00	1.13***	6.19
Haryana	4.86	6.18	1.77	5.96
Himachal Pradesh	3.08	5.89	1.30	6.53
Karnataka	3.54	5.86	3.12	7.10
Kerala	4.40	5.33	-2.00*	4.85
Madhya Pradesh	2.82*	5.21	0.23***	4.14
Maharashtra	5.39*	7.42	1.27	4.92
Orissa	-0.57***	3.39	0.17***	3.96
Punjab	4.62	5.13	2.15	4.13
Rajasthan	3.93	6.19	1.21***	5.32
Tamil Nadu	4.43	7.45	-0.60***	5.08
Uttar Pradesh	2.8	4.66	2.18	3.76
West Bengal	4.45	4.73	3.45	7.03
India	3.05	5.32	2.19	6.01
CV for States	58.72	25.43	102.88	22.75

Note : Growth is Compound Annual Growth Rate. GSDP denotes Gross State Domestic Product. All growth rates are significant at 5 per cent but for \* which is significant at 10 per cent and \*\*\* which is not significant even at 20 per cent. CV denotes coefficient of variation.

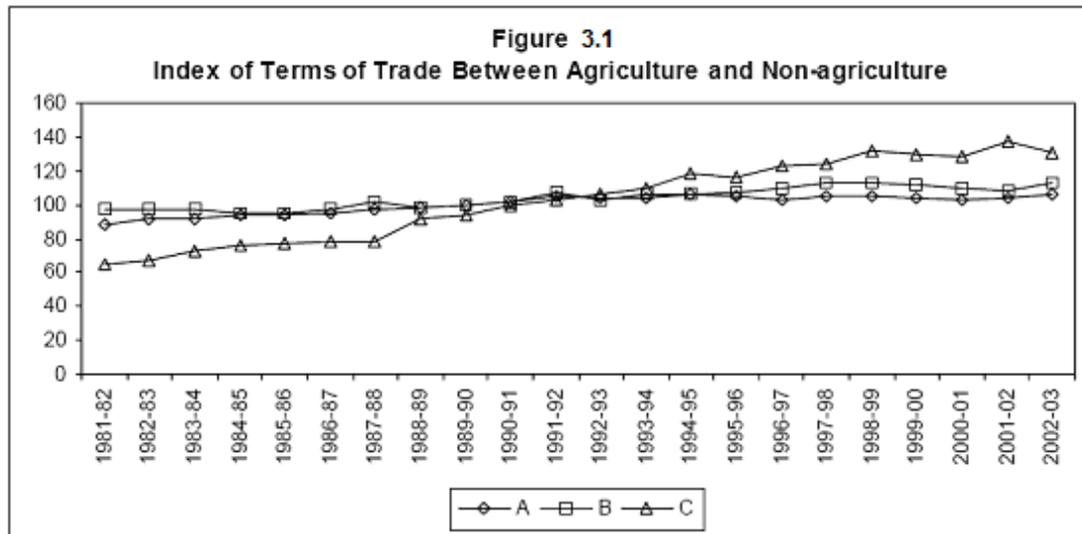
Source : CSO, *Gross State Domestic Product*, Various Years.  
cited in Gol (2007)

### **Stagnant Inter-sectoral Terms of Trade and Declining Input-Output Parity: Declining profitability of agriculture**

The inter-sectoral terms of trade between agricultural and non-agricultural sectors, (i.e., the ratio of total prices received by the agricultural sector to the total prices paid by it to non-agricultural sectors) is one of the important economic indicators to gauge whether agricultural sector as a whole has either gained or lost in the process of economic growth.

Although the reforms in the 90s with policies such as devaluation of currency and ending of protection to industry were expected to benefit agriculture and improve its relative terms of trade (ToT), this has not really been sustained. The barter and

income ToT became favourable to agriculture from 1984-85 until 1996-97, but thereafter they more or less stagnated (Figure 3.1).



*Notes and Sources :*

A denotes barter terms of trade as compiled by the Directorate of Economics and Statistics, Ministry of Agriculture.

B denotes barter terms of trade derived from data in CSO, *National Accounts Statistics*, Various Years.

C denotes income terms of trade derived from data in CSO, *National Accounts Statistics*, Various Years.  
cited in GoI (2007)

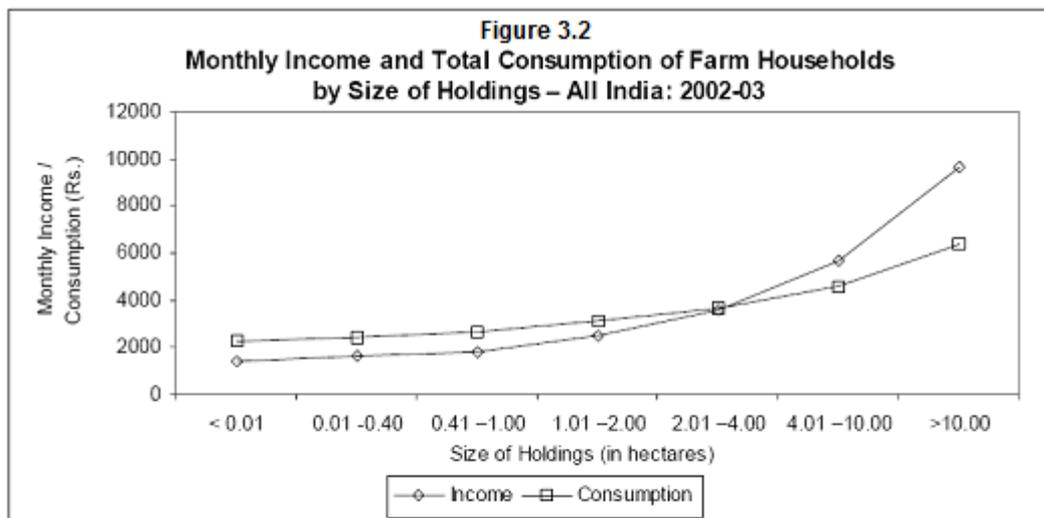
Likewise, the Input-Output Price Parity (computed by comparing the index of prices paid for agricultural inputs with the index of prices received for the outputs), which was unfavourable to agriculture during the 80s and then turned favourable in the early 90s, has since 1994-95 remained lower than one hundred, indicating declining profitability of agriculture (GoI 2008).

### **Erosion of real incomes of farmers:**

When the prices received by the farmers for their crops are compared with the prices they pay for consumer goods (i.e., Consumer Price Index for Agricultural Labour – CPIAL), it is observed that farmers are facing an erosion of real incomes because the growth in aggregate price index for consumer goods has been higher than the growth in price index for agricultural commodities (GoAP 2007, Mishra 2007a). This has resulted in declining relative living standards of farmers, particularly for small and marginal farmers whose incomes are clearly inadequate to meet consumption expenditure (Table 3.7, Figure 3.2).

Size-class (hectares)	Income (Rs)	Consumption (Rs)
< 0.01	1380	2297
0.01 -0.40	1663	2390
0.41 –1.00	1809	2672
1.01 –2.00	2493	3148
2.01 –4.00	3589	3685
4.01 –10.00	5681	4626
>10.00	9667	6418
All Sizes	2115	2770

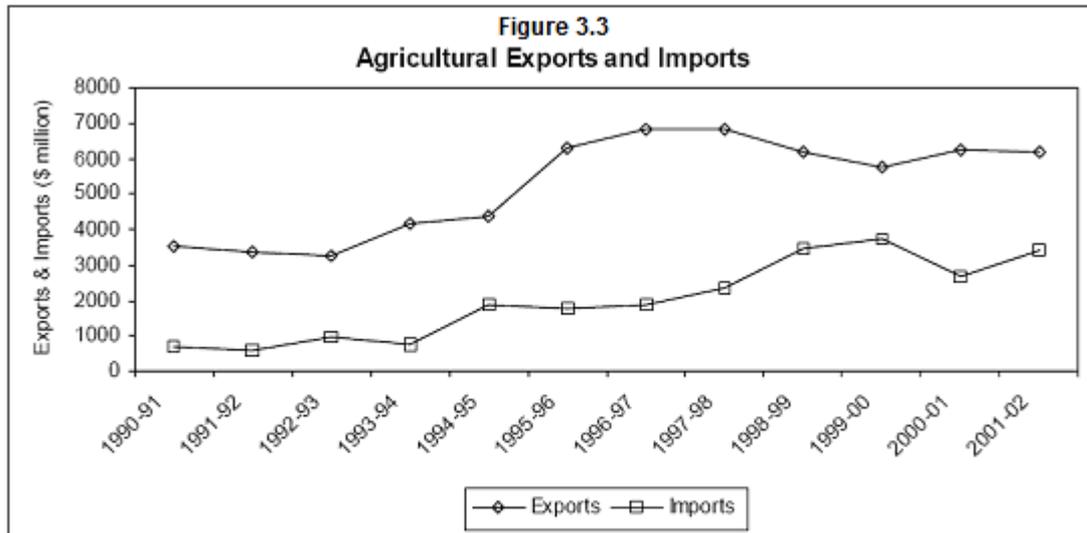
*Source:* National Sample Survey Organisation (2005).  
cited in Mishra (2007a)



*Source :* NSSO, *Situation Assessment Survey of Farmers, 2003.*  
cited in Gol (2007)

### **Slowdown of exports:**

As expected, post-liberalization, exports in tradeable agricultural commodities did register an increase up to 1996-97, but they flattened out after 1997 following the East Asian Crisis and the consequent large deceleration in growth of international trade in agriculture (Figure 3.3). Simultaneously, international prices started falling for most commodities, making Indian exports uncompetitive. Cheap imports, as I will elaborate below, have been on the rise with the removal of quantitative restrictions on agriculture by 2000.



Source: Ministry of Finance, *Economic Survey*, Various Issues.  
cited in Gol (2007)

### **Declining Gross Capital Formation and Rural Development Expenditure:**

Capital formation is important for the growth of any sector. In agriculture this takes the form of irrigation, rural infrastructure etc. The share of agricultural Gross Capital Formation (GCF) in total GCF fell from 16.1% in 1980-81 to 7.6% in 2004-2005. This was due to a decline in the share of public sector GCF from 43.2% in 1980-81 to 19.2% where private investment failed to compensate (Table 3.8). Simultaneously, there was a big fall in the rural share of total development expenditure from 11.7% of GDP in 1991-92 to 5.9% in 2000-01. This translates into less state support and hence increased expenditure by rural families on things like health and education.

**Table 3.8**  
**Gross Capital Formation (GCF) in Agriculture at Current Prices**

(1999-2000 Series)

Year	Total GCF (Rs. Crore)	Public GCF (Rs. Crore)	Private GCF (Rs. Crore)	Share of Public (%)	Share of Private (%)	GCF in Agr. as per cent of Total GDP	GCF in Agr. as per cent of Agr. GDP	GCF in Agr. as per cent of Aggregate GCF
1980-81	4342	1876	2466	43.2	56.8	3.0	9.2	16.1
1990-91	15839	3586	12253	22.6	77.4	2.8	10.5	11.5
1995-96	17392	5952	11440	34.2	65.8	1.7	6.9	6.3
1999-00	50151	8670	41481	17.3	82.7	2.6	11.2	9.8
2000-01	46432	8176	38256	17.6	82.4	2.2	10.3	9.2
2001-02	60366	10353	50013	17.2	82.8	2.6	12.4	11.1
2002-03	61883	9564	52319	15.5	84.5	2.5	13.1	10.1
2003-04	61827	12218	49609	19.8	80.2	2.2	11.6	8.4
2004-05	70786	13610	57176	19.2	80.8	2.3	13.2	7.6
2005-06	83952	—	—	—	—	2.4	14.1	7.3

Note : Agr denotes Agriculture GDP denotes Gross Domestic Product

Source : CSO, National Accounts Statistics, Various Years cited in Gol (2007)

### 3.2 Micro Analysis of the Current State of Indian Agriculture:

The slow down in agriculture and the disadvantaging of the rural sector evident from the analysis above translates into a crisis of livelihoods and lives for the farmers. In what follows I will analyse the various micro-dimensions of this crisis. The aim of my analysis is to identify the aspects of the crisis afflicting farmers in all the affected states. I will use data from Andhra Pradesh (AP) to make particular demonstrations, but available studies from all other states - Kerala (Mohanakumar & Sharma 2006), Karnataka (Vasavi 1999), Maharashtra (Mishra 2005, 2006; TISS 2005), Punjab (Gill & Singh 2006; Jodhka 2006) - confirm a similar pattern.

**Changing cropping patterns:** With the opening-up of the economy, expectations of export opportunities and higher world prices for agricultural commodities led many farmers to move into cash crops, away from a mixed bag of traditional subsistence crops (Venu Menon 2006). Devaluation of the rupee made Indian exports cheaper and hence attractive on the world market, and further helped lead this charge into cash crops (Christian Aid 2005). On aggregate, the total area of the country's farmland growing traditional grains declined by 18% in the decade after 1990-91, whereas areas growing non-food crops of cotton and sugarcane increased by 25% and 10% respectively (Shiva 2005).

In AP (Table 3.9), the area under food grains declined markedly in favour of export crops like oil seeds, groundnut and cotton. The Naidu government in the 90s in particular encouraged farmers to cultivate cotton by providing incentives in the form of discounts on HYV seeds and pesticides, even in arid areas unsuitable for cotton cultivation. The lure of big profits from HYV seeds and export opportunities led many farmers to give up their traditional rice cultivation in favour of cotton, the new ‘white gold’ (Venu Menon 2006).

**Table 3.9**  
**Andhra Pradesh : Changes in Cropping Pattern**  
(Per Cent of Cropped Area)

Crops	North Coastal Andhra		South Coastal Andhra		Rayalaseema		South Telangana		North Telangana		Total State	
	1958	1998	1958	1998	1958	1998	1958	1998	1958	1998	1958	1998
Foodgrains	66.90	54.40	72.10	65.40	44.40	23.60	64.40	62.50	74.20	60.60	73.10	53.20
Groundnut	7.10	9.50	3.60	1.80	20.30	48.30	10.50	9.50	8.00	5.30	10.50	15.30
Oilseeds	11.30	12.90	6.30	3.70	21.40	56.30	19.50	20.30	15.10	10.80	15.30	20.80
Cotton	0.20	0.70	0.80	7.00	7.90	5.20	0.40	8.20	4.00	17.60	3.10	8.20
Others	21.60	32.00	20.80	23.90	26.30	14.90	15.50	9.00	6.70	11.00	11.60	17.80

Source: Subramanian (2003) cited in Sridhar (2006)

**Rising cost of cultivation and declining state support with inputs:** Cash crops, particularly the HYVs, are input heavy. They require much greater amounts of water, fertilizers and pesticides to grow and to yield the promised output. However, with the fiscal reforms that followed liberalization, state subsidies on these inputs declined. This led to farmers relying increasingly on the market for their inputs. The market prices of these inputs, on the other hand, have shot up over the past few years, leading to a sharp rise in the overall cost of cultivation. For instance, during 1992-2002, in AP the prices of fertilizers such as urea and DAP doubled, while that of Murate of Potash saw a four-fold increase. The prices of cotton and chilli seeds went up by 400% (Suri & Rao 2006). Increased cost of seeds is in part due to huge amounts of intellectual rents being extracted on the foreign seeds which now flood the market. The price of the controversial Bt cotton is 4 times higher than the domestic hybrid varieties of seeds, and much of this is down to the high royalties paid out to the seed company. The new Intellectual Property Rights regime after WTO also means that the seeds from the current harvest cannot be reused for the next planting, forcing farmers to purchase them anew each time (GoI 2006).

**Declining irrigation:** Ironically, with a shift in cropping patterns towards more water intensive cash crops, the aggregate net irrigated area remained stagnant (GoI 2007) In AP it actually declined from 43.5 lakh hectares in 1990-91 to 37.1 lakh hectares in 2004-05 (GoAP 207). Successive state governments have grossly neglected investment in surface irrigation infrastructure. Consequently there has been an increase in private investment in exploiting ground-water sources (mainly bore wells), which have been growing relative to canal and tank irrigation. This has led to overexploitation of ground-water and a falling water table, forcing farmers to deepen their wells every few years. In addition to the high cost of digging (Rs. 25,000 on an average), falling ground-water levels mean many diggings are unsuccessful, making the exercise highly risky. The cost of installation and maintenance of electric motors to draw water from the wells, plus the cost of electricity itself to run them<sup>4</sup> all add up to huge cost of irrigation, sometimes enough to push farmers into long-term debt traps (*ibid.*).

**Disappearing institutions:** The gradual waning of state-support has also meant that several state-run corporations which had provided support to the small-scale farmer became largely dormant. In AP, among these were the AP State Agro Development Corporation (APSADC) which manufactured and distributed agricultural machinery, tools and inputs at subsidized rates, and AP State Seeds Development Corporation (APSSDC) which produced its own seed, sold it via reputable private dealers and served as a vital regulatory body for the seed market. Agricultural Extension Service was also downsized.

**The rise of the new ‘baniya’<sup>5</sup>:** With the collapse of these public institutions, their functions were taken up by the private sector. This gave rise, in particular, to a certain kind of entrepreneur who did not necessarily have the interests of the farmer at heart. This entrepreneur is not only a salesman of a particular type of seed, but also of a brand of fertilizer and a brand of pesticide. In the absence of adequate extension services, since he is also the main channel of information and advice on cropping practices, exploitation is rife. Unsuspecting farmers are lured into buying expensive

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<sup>4</sup> Reforms in the electricity sector assiduously promoted by the World Bank caused a sharp increase in the cost of the power in AP during the 90s (Sridhar 2006).

<sup>5</sup> originally Hindi for ‘merchant’, but traditionally connotated as ‘exploitative merchant’

HYV seeds through aggressive marketing techniques, and opportunistically advised to use more fertilizers and pesticides promising unrealistically high yields. This non-judicious fertilizer use is causing serious long term soil damage (Christian Aid 2005).

**Vicissitudes of output:** The output side is not without risks either. To the conventional *yield shocks* associated with deluge or dearth of water, have been added shocks resulting from spurious seeds and adulterated pesticides from unregulated private dealers. The resulting crop failures have been one of the major factors pushing farmers into spiralling indebtedness (GoI 2006).

In addition to such extreme output losses, *price shocks* have been the cause of great uncertainty and misery to farmers. Trade liberalization was gradually extended to agriculture starting mid-90s with India's accession to WTO. By 2000 all agricultural products were removed from Quantitative Restrictions and brought under the tariff system. Canalization of trade in agricultural commodities through state trading agencies was virtually removed and most of the products were brought under Open General Licensing. This led to a sudden surge in cheap agricultural imports, substantially depressing prices of agricultural commodities. Import duty on cotton, for instance, was reduced to almost zero, leading to a sharp dip in the price of cotton which has been the crop of choice for many farmers in AP (GoAP 2007). Farmers now find themselves exposed to the vicissitudes of world prices. Fluctuations are rife. A survey of cotton prices in Warangal district of AP found the price of a quintal of cotton swinging wildly between Rs. 2200 to Rs. 1450 in a 45 day period, dipping at times to Rs. 1200 (Venu Menon 2006).

Before liberalization, low yields at least meant relatively higher prices, but now, as the prices depend increasingly on the global rather than local supply and demand, low yield can be made worse by low prices. This combination of yield shock and price shock occurring simultaneously adds a new element of risk to farming (Suri & Rao 2006).

Even at the output end, the decline in state support continues in the way government procurement of agricultural produce has fallen over the years. There is no public procurement for commodities like chillies, pulses and oil seeds, and a very small

percentage of the cotton produced is publicly procured. In addition, the minimum support price (MSP) for many commodities is less than the market price (Table 3.10 for AP). Since market prices revolve around the MSP, they end up reaching very low levels at the time of the harvest. The majority of small and marginal farmers who cannot hold their produce until they can get better prices, due either to pressures to repay the loans or under agreements with the creditors, end up selling their produce immediately after harvest at these low prices, losing considerable income (*ibid.*).

**Table 3.10**  
**Minimum Support Price and Market Price for Major**  
**Agriculture Commodities, Andhra Pradesh**

Year	Paddy		Cotton		Chillies	Groundnut	
	Minimum Support Price (Rs per quintal)	Market Price	Minimum Support Price (Rs per quintal)	Market Price	Market Price	Minimum Support Price (Rs per quintal)	Market Price
1993-94	310	377	900/1050	1210	1762	800	978
1994-95	340	436	1000/1200	1791	3113	860	905
1995-96	360	458	1150/1350	1477	3184	900	904
1996-97	380	492	1180/1380	1681	2802	920	1334
1997-98	415	559	1330/1530	1841	3113	980	1201
1998-99	440	598	1440/1650	2082	3986	1040	1305
1999-2000	490	875	1575/1775	1732	3534	1155	1341
2000-01	510	662	1625/1825	1852	2941	1220	1366
2001-02	530	749	1675/1875	1805	2895	1340	1367
2002-03	550	827	1695/1895	1836	3233	1355	1455
2003-04	550	–	1725/1925	1964	2441	1400	1791

Source: Directorate of Economics and Statistics: *Statistical Abstract of Andhra Pradesh (compiled for various years)*, government of Andhra Pradesh, Hyderabad; Director of Economics and Statistics (2003): *Glimpses of Identified Growth Engines from Agriculture to Gross State Domestic Product*, government of AP, Hyderabad.  
cited in Sridhar (2006)

**Credit squeeze, the trader-money lender nexus and pervasive indebtedness:** The withdrawal of the state is perhaps most acutely felt by the farmers in the decline in institutional credit support. With agriculture becoming increasingly commercialized and costs of cultivation rising, most farmers look for external sources of credit. Institutional credit comes in the form of loans from commercial, co-operative, and regional rural banks. The nationalization of main banks in 1969 required them to prioritize lending to agriculture, with tight interest-rate controls. But this came to an abrupt end with the Narasimham Committee on Banking Reforms post-1991. Through various redefinitions of what constituted priority lending, the committee slowly squeezed credit lines to farmers. In AP the proportion of bank lending to agriculture fell from 43% in 1998 to 26.7% in 2003, covering only one-third of the credit needs

of the farmers. Even mandates of special lending to SCs, STs and very small farmers were revoked to pursue commercial viability and aggressive loan recovery. Tenant cultivators with insufficient titles are altogether denied access to formal credit (Christian Aid 2005).

With this drying up of formal credit, the farmers are left with no choice than to depend on 'informal' sources for credit. An NSSO survey in 2004 revealed that 68.6% of the total loans taken by farmers in AP are from the informal credit market. This credit typically comes at usurious interest rates (anything between 36% and 100% compound), and worse, from the same entrepreneur who is selling the farmer the seeds and fertilizers. This stranglehold of the trader-moneylender has become the root of much exploitation and misery. Credit from these agents is almost never in cash form. It is inputs (his own brand of seeds, fertilizers) issued against the future output whose price, invariably low and exploitative, is fixed by the agent himself. (*ibid.*; Suri 2006).

### **Under duress: farmer suicides and the agrarian crisis**

The drying up of institutional credit and exploitative informal credit traps in the face of rising costs and declining profitability have led to pervasive indebtedness among farmers. The Situation Assessment Survey of Farmers in the 59<sup>th</sup> round of NSS in 2003 revealed that nearly half the farmers in the country were indebted. The incidence was higher in states with input-intensive agriculture like Punjab, Haryana, Maharashtra, Tamil Nadu, Kerala, and Karnataka, and was highest at 82% in Andhra Pradesh (GoI 2007).

Indebtedness, along with the constellation of input and output risks elaborated above has been putting the farmer under sustained duress. A tragic manifestation of this has been the phenomenon of suicides among desperate farmers. Since 1995, farmer suicides have been reported regularly from Andhra Pradesh, Maharashtra, Punjab, Kerala, Karnataka, Chhattisgarh, Tamil Nadu, Pondicherry, Dadra & Nagar Haveli, Delhi, Goa and Sikkim. By 2004, over 1.5 million farmers had committed suicide (GoI 2006, 2007), and the number continues to grow at a disturbing average of 10,000 a year (BBC 2008). A Durkheimian study of the suicides concludes that the

marginalization of the rural sector in the national policy agenda which prioritises rapid economic growth is leaving rural producers with a feeling of socio-economic estrangement from the community, and that the suicides were an effect of individualization of this estrangement (Mohanty 2005: 243).

**Taking stock:**

The systemic risks in agriculture are qualitatively and quantitatively different today from a few decades ago. Increasing commercialization and heavy investments in inputs added technology and credit risks to the traditional weather risk. To this liberalization added market risks. All of these have been accentuated by receding state support since the 90s. Public investment in agriculture, institutional credit, research and extension services, a rationalized marketing structure and healthy rural development expenditure which are all essential to overcome these risks have, as I have shown, declined since the 90s. The Planning Commission itself acknowledged a perceptible stagnation in the fortunes of the agricultural sector during the post-liberalization period (GoI 2007), and much of the distress that the farmer faces is demonstrably due to deliberate policy changes that the economic reforms entailed.

## **4. Explaining the Crisis:**

### **The Changing Political Economy (1990s and after)**

In the last chapter I argued that the present crisis in agriculture and the relative marginalization of agrarian interests in the national policy agenda can be mapped on to the economic reforms in India since the 90s. But that still does not account for how such a shift in economic priorities was politically feasible given the seemingly insurmountable ‘rural power’ at the end of the 80s. In this chapter I will attempt to resolve this paradox.

Using Varshney’s (1995) analysis I will establish first that there are some countervailing economic constraints that serve as a limit to farmers’ gains. For these constraints to be politically manipulable, it would require a strength of collective action that might not be possible given the multiple social identities of the farmers which dilute any unity based on purely economic interest. Further, upon nuanced analysis the ‘universal’ claims in the ‘rise of *rural* power’ do not hold: the Farmers’ Movements may after all have served the interests only of a specific class of farmers within the group. Seen in this way, it would seem that the apparent insurmountability of rural power, and the paradox of its rise and fall, might have been too sharply emphasised. I will then argue that the marginalization of the agrarian economy in the policy agenda since the early 90s is related to the changing global political economy of development which is increasingly curtailing the space available for national governments to pursue policies in the interest of their own citizens. To the extent that the policy priorities *are* a choice for the government, I will argue that the rise of ethnicity and religion in the political discourse of the country may have weakened the electoral potency of ‘the agrarian interest’ to influence policy. The changing social and political structures in contemporary rural society, and hence the weakening rural identities as ‘villagers’ and ‘farmers’, I will argue further, may explain the relative quiescence in the farmers’ collective action against this marginalization.

## **4.1 Deconstructing the rise of *rural power*:**

### **4.1.1 Limitations of rural power:**

#### **Economic constraints and social cleavages**

Varshney (1995) argues that the rise in political power of the farmers would not translate into rising incomes *ad infinitum* because it would run up against some countervailing economic factors: the momentum of technical progress would determine the yield of a crop, and therefore *plateauing of technology* would be a check on farming returns; the low purchasing power of the poor in India would create a *demand-constraint* in the economy if the government were to keep raising food prices to satisfy the farmers; and were the government to keep consumer prices low while still raising producer prices, subsidization of the difference would eventually become *fiscally infeasible* to sustain. This did in fact happen by 1991 when the fiscal deficit reached an unsustainable 9% of GDP and farmer subsidies were the single largest part of it (Bhalla 1995).

However, Varshney goes on to suggest that these economic constraints *can* be politically manipulated. Accommodating farmers' demands need not necessarily be a zero-sum game, as there are other ways of raising revenues and cutting expenditure in order to counter the fiscal demands from agriculture. For instance cutting defence outlays, or taxing urban industrialists. This is a matter of political will, which is influenced by the political pressure that the government faces.

This kind of political pressure, however, would require a strength of collective action among farmers which, he argues, might not obtain because there are some inherent self-limitations. The shared occupational identity as farmers might have brought rural India together in collective action for economic demands, but given India's heterogeneity, farmers have multiple social identities involving caste, religion, and region. These militate against any exclusive economism. Thus voting decisions by farmers are influenced by multiple considerations. Occupational interests may well be overshadowed by considerations like caste, region or religion. The existence of these multiple bases of voting dilutes the attraction for any political party of fighting an

election based purely on a 'sectional' strategy like the 'urban-rural' divide, or 'farm prices and subsidies'. This is evident in the fact that despite rural India constituting an overwhelming majority in the country, governments so far have not risen or fallen on prices and subsidies, nor have peasant-based parties (*pace* Charan Singh) come to power (*ibid.*). Sharad Joshi himself lamented the difficulty of sustaining a movement based on economic demands in the face of competing interests of caste, language, religion and region which people felt more strongly about, as 'principles' worth dying and killing for (1988 cited in *ibid.*).

#### **4.1.2 The class question in the New Farmers' Movements:**

##### **A further differentiation of the rural universe**

Marx once remarked disparagingly on the collective docility of the peasants, saying they were like potatoes in a sack, too heterogeneous to be able to organize politically for class action (1967 cited in Suri 2006). Given this image, and other studies confirming the difficulty in organizing large and disperse groups in general (Olson 1965), and farmers in particular (Bates 1989), the New Farmer's Movements in India might come as a surprise. That they successfully mobilized not just large farmers but also small and marginal ones might seem a confirmation of the Indian farmers coming together politically as a 'class-for-itself' (Poulantzas 1968) to protect their interests. But the fact that the movements were selective about prioritizing some demands (lower input prices, higher food prices) over others (minimum wage for agricultural labourers, investment in rural development) raises questions about who was benefiting from these demands, and hence about the 'universal' claims of the sectoral discourse of the movements.

On the one hand, for Varshney (1995), the claim that the movements were driven by rich farmers to pursue their own narrow class-interests is weak. He argues that in a commoditized environment it is in the economic interest of small farmers to support the movements. For marginal farmers, who are net buyers of food and do not benefit from higher food prices, the rationale for supporting the movements came from the non-economic benefits, like better treatment by government bureaucrats (in charge of handing out the inputs) of those seen to be associated with the movement. This convergence of interests among different groups of farmers leads him to project a

‘sectoral’ view of them. Lindberg (1995) in his interactionist analysis of BKU and *Shetkari Sanghatana* concludes that the movements articulated interests common to an expanding base of ‘commodity-producing’ middle peasantry, which is increasingly linked to the market for both inputs and outputs, and that such mobilizations are not predetermined to represent any particular class of farmers.

However, this sectoral view has been problematized by many on the left. Das (2001) notes that Varshney’s analysis suffers from an under-conceptualization of class relations, and that his view of agrarian class relations in India is based primarily on the ‘exchange view’ of class where classes are defined solely in terms of surplus-production for sale in the market (landowners are a class because they produce marketable surplus), as opposed to a ‘production/property relations’ view where classes are defined in relation to ownership/control over means of production and the resultant processes of exploitation (landowners are a class primarily because they get their land cultivated through hired labour and/or tenants). For Das, the fact that the movements fought to guarantee a good return for the surplus-commodity of the capitalist farmers, but did not for the surplus-commodity of the labourers (in the form of minimum wage legislation) who constitute a sizeable proportion of the farming ‘sector’ clearly brings out the class-bias of these movements. Similar conclusions are reached by Dhanagare (1995) about *Shetkari Sanghatana* in Maharashtra, Gill (1995) about BKU in Punjab, and Patnaik and Hasan (1995) about BKU in Uttar Pradesh clearly reflecting the interests of the large farmers. To them, and to Brass (1995, 2007) the fact that small and marginal farmers supported these movements even if they did not directly reflect their own interests, and were even economically antagonistic to theirs, is, in a Gramscian sense, a case of hegemony of the populist discourse used by the rich farmers to mobilize support. The indignation that is projected in the emotive *Bharat – India* rhetoric of the project served as a smoke-screen over the underlying class-bias.

Agreeing with the class-bias theories, Nadkarni (1987) concludes that there is enough evidence to say that the movements were progressive only in a limited sense and that ‘any claim beyond this would be open to serious doubt’ (p.161).

**Taking stock:** In sum, then, to say there has been a singular rise in ‘rural power’ is problematic. Upon close scrutiny of the familiar narrative, it would seem that ‘rural India’ is not insurmountable in its power, nor undifferentiated in its interests. So the apparent paradox in the rise and fall of ‘rural power’ may, after all, have been too sharply emphasised. However, that is not to deny that there has been a clear relative marginalization of the agrarian economy in the 90s and after. How is one to understand this change?

## **4.2 The political feasibility of economic priorities**

### **4.2.1 Liberalization and the ‘withdrawal of the state’:**

#### **The global political economy of development**

In the last chapter I argued that apart from the longer-term structural problems in agriculture, many ‘new’ dimensions of the crisis seem to stem directly from the declining public expenditure and increasing marketization of public services in agriculture, in other words a gradual withdrawal of the state following the economic reforms since the early 90s. In fact for many scholars (Patnaik 2004, 2007; Shiva *et al.* 2002; Sainath 2006) it is a crisis rooted in these reforms. Even the Human Development Report of Andhra Pradesh Government acknowledges that the agrarian distress in the state coincided with the period in which reforms were initiated and was directly related to the changes in state policy since<sup>6</sup> (GoAP 2007). This changing role of the state is part of increasingly neo-liberal, free-market economic and financial regimes in India since the reforms, as around the world since the 80s.

These regimes have created a deflationary wave around the world, and this, Patnaik (2007) argues, is at the heart of the current agrarian crisis. The ascendance of international finance since the oil-shocks of the 70s has seen global economic policy regimes increasingly being dictated by the interests of financial capital. Financiers, who are basically creditors, wish above all to prevent inflation which erodes their returns. They wish to maintain high interest rates, and want complete freedom to

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<sup>6</sup> AP was one of the most aggressive in implementing the reforms in all sectors including agriculture right from the start. Agriculture was only gradually liberalized in other states.

move their finance in and out of countries in search of the highest profit. Accordingly, there has been a systematic push for opening up of capital accounts, and for deflationary economic policies around the world. Deflationary policies mean higher interest rates and cuts in public expenditure and subsidies. As I discussed earlier, apart from these cuts directly increasing the *cost* of cultivation, deflation with its multiplier effects leads to a slowing down of aggregate demand, which puts a downward pressure on the world food prices, and with the surge in cheap imports following increasing opening up of agriculture there is a decline in *returns* from cultivation as well.

However, policies like tightening of public expenditure, opening up of agriculture and the ‘withdrawal of the state’ itself, need to be put in some context. From a global political economy perspective, we live in a world with increasingly supra-national regimes of economic and financial governance. Ostensibly, these take the asymmetry of power out of international relations in order to make it a rules-based world. But the paradox of a shift to this rules-based world lies exactly in how deeply entrenched power still is today, if only in a more subtle, sinuous web of unfair trade and financial regimes. Accordingly we have WTO trade regimes pushing for removal of protection and subsidies to agriculture in the DCs while ACs keep theirs behind technicalities, and IMF and World Bank pushing for deflationary policies under the imperative for ‘economic stabilization’. Together these and other institutions make development assistance contingent on DCs committing themselves to these policies even if they are not entirely in their own citizens’ interest. In this connection there is growing realization that the *policy space* available to DCs to pursue their development objectives in the best interest of their own citizens is shrinking (Wade 2003; Posani 2007). In this changed world order, then, domestic policies in agriculture, as in many other sectors, are not entirely an autonomous decision of the national government.

Notwithstanding this shrinking of policy space, Marxists like Das (2007) maintain that the neo-liberal state is still an interventionist state. In agriculture, for instance, while it has withdrawn from welfare provision for poor peasants and workers in rural areas, it has actively promoted agribusiness capital accumulation in the form of support for contract farming and the production of luxury farm goods (flowers,

shrimps) in various countries. For him, 'the other side of the coin of state withdrawal [...] is active intervention on behalf of capital' (p. 153).

In the light of the above discussion, *within* the policy space available for the government, to the extent that the marginalization of the agrarian interest in recent years was a *choice* that the Indian state made, what were the changes that made it *politically* feasible when precisely such a thing seemed 'impossible' to contemplate at the end of 80s?

#### **4.2.2 'Ethnicization' and communalization of Indian politics:**

##### **Making marginalization politically feasible**

The political landscape of the country has seen some major changes since the 90s. The new language of 'Other Backward Castes' which came out of *Mandal* at the end of the 80s helped in 'creating' a whole new socio-political category for electoral mobilization, large enough to win majorities. This opportunity was well exploited by political entrepreneurs, and there has been a remarkable rise of ethnicity-based political parties appealing to electorates as BCs, SCs and STs who come together in these categories hoping to get access to government jobs, money and public goods, overcoming other cleavages that may have divided their electoral loyalties in the past (Wilkinson 2003). Similarly, following *Mandir* and the rise of BJP and the Hindu nationalist agenda during the 90s, there was a distinct communalization of political discourse in India, creating new electoral categories sympathetic to the Hindu cause among otherwise disparate populations.

This consolidation since the 90s of ethnic and communal identities as the 'new' currency of electoral mobilization in India can arguably have contributed to the dilution of the political obligation of the parties to appeal to 'the village' or 'the farmers' as an electoral category. From the Farmers' Movements perspective, the ethnic and communal divisions among the farmers' affiliations may have contributed to the weakening of their bargaining power as an undivided 'farmer group'. This would lend further plausibility to Varshney's argument above about multiple social identities of farmers acting as a self-limitation to the rise of farmer power.

Not only was this true, but, ironically, there is evidence that the Farmers' Movements may themselves have assisted in the subsumption of the political force of their cause under growing ethnic and communal discourse of politics. Zoya Hasan (1995) in her study of BKU in western UP finds that although the movement was dominated by economic interests of surplus-producing farmers, the principal mobilizing ideology was along caste and religious lines. It was dominated by 'upper' caste *Jats* who used Hindu communal ideology to draw the 'backward' caste farmers' support. However, the caste tensions were brought out sharply when it backed the anti-*Mandal* agitations in UP because the *Jats* stood to lose from it, and this alienated the 'backward' caste farmers. In addition, BKU's active promotion of communal tensions in UP in the 90s were directly responsible for its decline under the sway of *Hindutva* politics in western UP.

#### **4.2.3 From unchanging idylls to 'vanishing villages':**

##### **Explaining the further weakening of farmers' movements today**

In addition to these larger social and political forces, the relative quiescence in farmers' movements today and their lack of fervour in protesting against their marginalization has to be understood in the context of gradual but distinct changes which have been taking place within the agrarian communities themselves.

The Green Revolution and its technologies not only led to a surge in productivity, but the commercialization of agriculture that went with it had an impact also on rural social relations, which are increasingly individuated and based on market principles and less on mutual obligation (Jodhka 2006). As Shiva (1991:171) notes, 'Atomised and fragmented cultivators relate directly to the state and the market. This generated...an erosion of cultural norms and practices [of co-operation and reciprocity]'.

The economic development experienced during the Green Revolution period brought the village closer to the city and its economy. The farmers with increasing wealth sent their children to schools in the cities who then took up government and other jobs there. This produced a distinct category of salaried middle classes that straddle rural-urban divides with decreasing loyalties to agriculture and 'the village'. Also, even

within the village, as Lindberg (2005: 11) points out from his studies in Punjab, many agricultural households are becoming increasingly 'pluri-active' i.e., economically diversified. Agriculture is no more an 'all-encompassing way of life and identity'. The data on employment patterns in Punjab reflects this trend clearly. The proportion of cultivators in the total number of workers declined from 46.5% in 1971 to 22.6% by 2001 (Jodhka 2006 citing GoP 2004).

Similar observations are made by Dipankar Gupta (2005). Citing the 57<sup>th</sup> round of NSS (2000-2002), notwithstanding the lack of *enough* opportunities, he notes that the rural non-farm employment has indeed gone up considerably, with 35.2% of rural households employed outside agriculture. In Kerala, Haryana and Punjab the figure is over 50%. And this, he contends, is not just a reflection of decline in agricultural employment, but of changing *aspirations* of rural dwellers. In a passionately argued polemic against the 'unchanging' and 'idyllic' conceptions of the Indian village, Gupta talks about a 'vanishing village', which is undergoing a cultural implosion. Abolition of landlordism and universal franchise has contributed to the gradual emaciation of the old hierarchical caste-based social order. In addition, the political ascendancy of the 'lower' castes and increasing assertion of their own cultural identities has meant that the power of the erstwhile upper-caste landowners as patrons and political leaders who could command support for 'their' movements from the smaller, lower caste farmers has diminished. The large landowners themselves have been moving increasingly out of the villages, into agribusinesses, and non-farm enterprises, diluting their stake in agriculture. There is no longer the same sense of pride in being the 'sons of the soil' as there once was, and the principal motivation of a peasant today is to stop being a peasant. Agriculture, Gupta concludes, has become an 'economic residue that generously accommodates non-achievers resigned to a life of sad satisfaction' (*ibid*: 757).

**Taking Stock:** The political force of the farmers' cause was, arguably, subsumed under the growing ethnic and communal discourse in politics since the 90s, and political parties no longer feel the same obligation to appeal to farmers as an electoral category. In addition to being divided along caste and religious lines, the weakening of farmers' collective agency today has to be understood in the context of the ongoing

changes in the contemporary rural society where the identities of 'villagers' and 'farmers' and how they relate to 'the village' and 'farming' are themselves changing.

## **5. Conclusion:**

### **Democracy, Economic Transformation, and the Prospects for the Peasant**

In the preceding chapters I argued that notwithstanding the power of the ‘rural lobby’ by the end of the 80s, the ongoing spate of suicides among farmers in India is a manifestation of an underlying crisis in agriculture, which is a result of a gradual marginalization of agrarian economy in national policy since the 90s; further that the growth of ethnicity and communalism as the ‘new’ electoral currency has diluted the political force of the agrarian interest. As an additional explanation for the relative quiescence in farmers’ collective agitation against their marginalization today, I used Dipankar Gupta’s analysis to propose that the identity of the farmer and how he relates to farming is itself changing. I ended with Gupta’s conclusion that Indian agriculture today is ‘the economic residue’ that accommodates ‘non-achievers’, and that the principal motivation of the peasant today is to stop being a peasant (2005:757). Not an encouraging prospect, then, for the peasant movements, or the peasant.

However, the debate does not end there. Partha Chatterjee contends that Gupta may have been too hasty in this conclusion. He constructs an argument that in a globalized world with changing normative expectations of a state’s minimum functions, the ‘passive revolution’ of corporate capital ‘under conditions of electoral democracy makes it unacceptable and illegitimate for the government’ to keep marginalizing the peasants as that risks turning them into ‘the dangerous classes’ (2008: 62). Even if it was only to ensure political stability which is a necessary precondition for the capitalist project, he argues that a whole series of government policies will be devised to reverse the effects of the primitive accumulation of the corporate capitalists that might be marginalizing the peasant (*ibid.*). The Indian Government’s recent announcement of ‘loan-waivers’ for small and marginal farmers (FT 2008) could be an example of such a policy. So, despite India’s capitalist growth path, the peasantry, Chatterjee concludes, will still be preserved.

However, he asserts that in the new environment in which most peasants are now integrated into the market, in order to thrive they will need to redefine their relations both with the state and with capital, and to organize not just to secure government benefits but to deal effectively with corporate firms for the supply of inputs or sale of their products. Unlike many organizations in the informal non-agricultural sector, however, the peasants are much less able to deal with the uncertainties of the market and still feel threatened by the 'large and mysterious forces' that control it. This area of peasant management as a field of 'non-corporate capital' is the main challenge for peasant movements today and it is their political response to this that will determine how much the agrarian interest and the rural poor might assert its claim in the state's capitalist strategy (*ibid.*: 61).

It remains to be seen for the future how successful peasants will be in redefining their organization in this manner, and therefore what the prospects are for the agrarian sector. The government for its part continues to divide them into further categories - 'Below Poverty Line', 'small', 'marginal' - and with differential treatment of different categories, continues to dissipate their collective resistance. But the recent organized peasant agitations in Nandigram against the acquisition of agricultural land for industry might be a positive, if dramatic, reminder that the spirit of resistance is still alive.

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