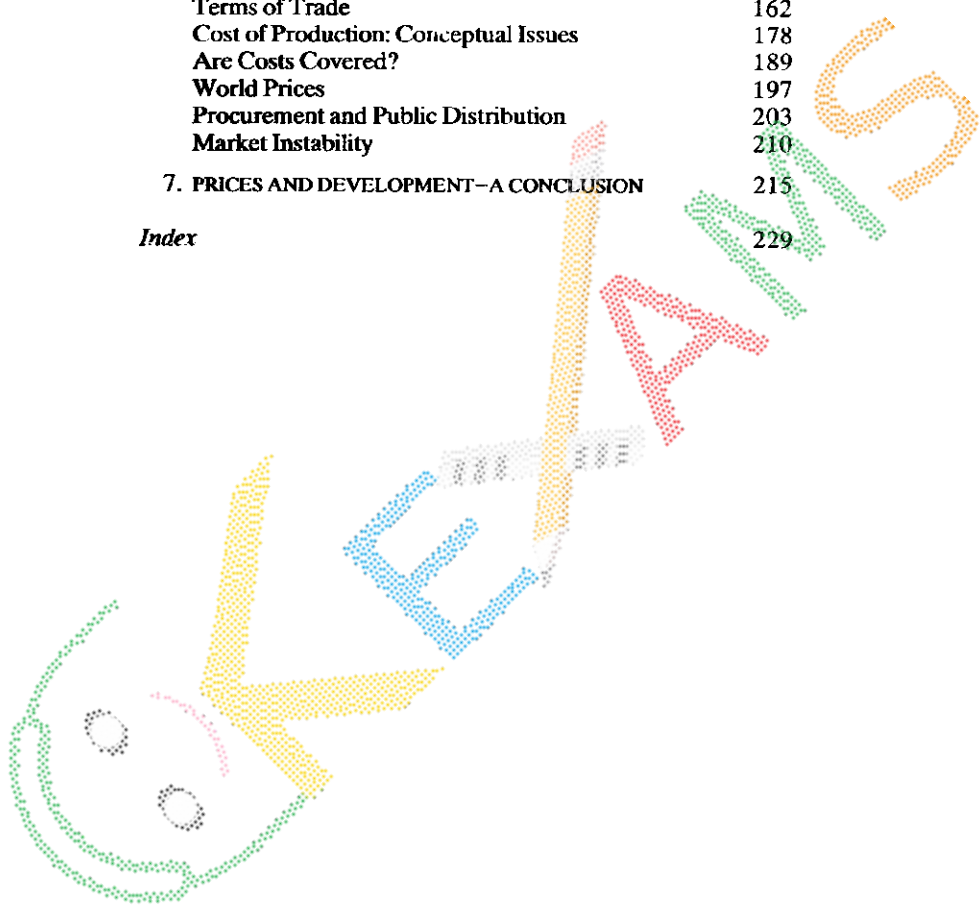


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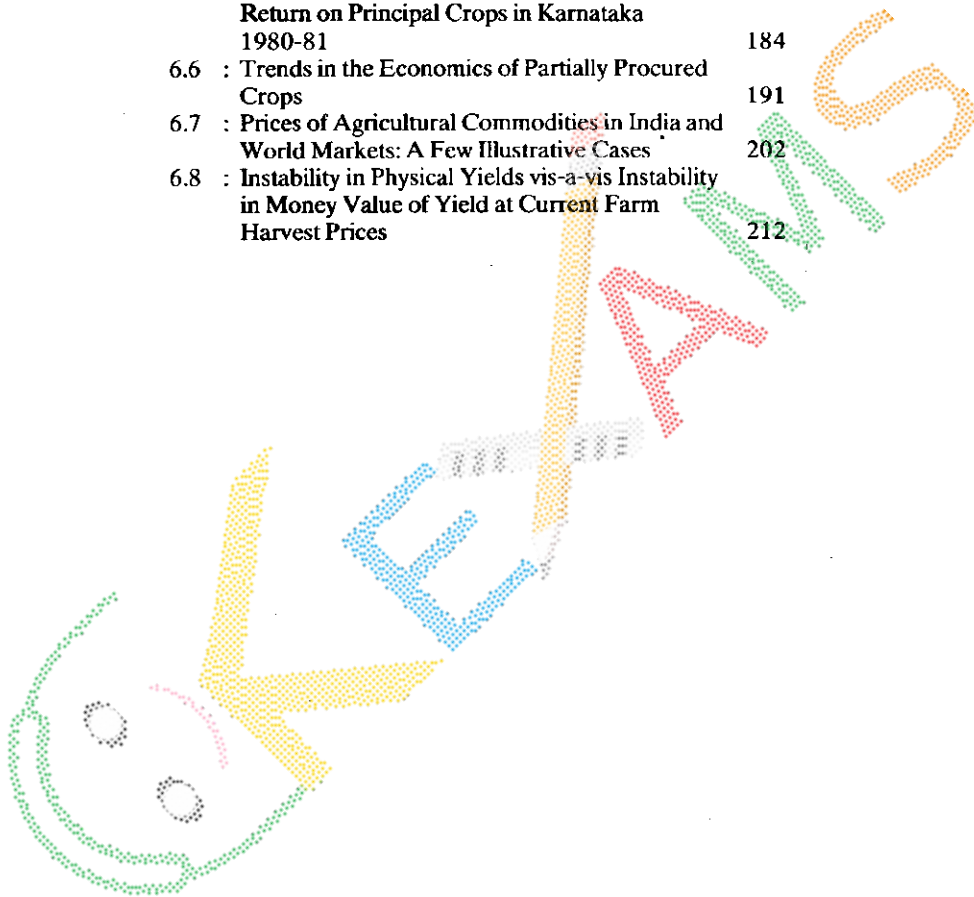
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CHAPTER 1

Farmers and India's Power Structure

INTRODUCTION

Since the late 1970s, agitations by farmers—mainly on price and related issues and against the alleged neglect of rural interests—have been a prominent feature of the political scene in several States, particularly in Tamil Nadu, Maharashtra and recently in Karnataka. These agitations have been fairly well sustained and have enjoyed a fairly wide base among farmers and also a support much beyond their regional base, though they cannot be said to have covered all areas even in the State where they have been recurring often. No State government and no political party today can dare to either ignore them or openly oppose their cause.

These agitations cannot be brushed aside as sporadic or as minor lobbies in the corridors of power. They constitute a major political phenomenon and richly deserve to be called movements rather than mere agitations. In a sense, the distinction between an agitation and a movement is the same as between a battle and a war. Agitations form operational parts of a movement, but a movement is more than the sum of its agitations. A movement can also originate from sporadic agitations, with no larger perspective and goals initially. The leaders of farmers' agitations have, however, often managed to rise above the immediate local issues that provoked agitations, and give them a larger perspective and goals needed for a movement. A movement has a class base and intends to alter the existing social order or the power structure at least at the regional levels where it takes place. It also has an ideology to justify it. A movement has also a dynamics of its own and its prospects depend upon what alliances it seeks and how it resolves its contradictions arising in its course.

All this also determines whether or not a movement has a progressive character and a potential for contributing to social and

economic development and thus to a substantial reduction in poverty and inequality. The farmers' movements¹ seem to be in a crucial phase today. They have the choice of either being a pressure lobby like the Chambers of Commerce and Industry furthering the professional cause of the rich and commercialised farmers, or of being a vehicle of social and economic transformation of rural India. But this would depend on the class character of the movement, though the leaders of the movements seem to think and even assert that there is no contradiction between the two.

Basically, the farmers' movements are seen here as a struggle within the power structure, and not as a struggle between those within and those outside. However, the repercussions of the struggle extend outside and cover the whole economy and polity. The study is primarily an attempt to understand the character of the movements and the implications of farmers' demands and ideology for economic development in general and indeed for rural development. In the process, it traces the historical, social, political and economic context of the farmers' movements, and assesses the factors behind them; documents the course of major events; examines the issues raised, their objective base and the government's response to them, and analyses their spatial and class base and the reaction of another major movement—that of the Dalits—to these movements. In the course of the discussion, price issues naturally receive the major attention. The controversy over the declining terms of trade is viewed in a long-term perspective, and an attempt is made to settle it definitively. Similarly, the contention regarding agricultural prices being depressed below economic levels or below the levels in world markets, is also viewed in a broader perspective. The real crisis affecting agriculture is shown to be one of viability arising not out of price factors, but from a stunted capitalist development in the larger national economy which has constrained diversification and generation of gainful employment.

Though the farmers' movements are analysed here in terms of an all-India perspective, the major emphasis is on movements in the three States where they have been active since the late 1970s viz., Tamil Nadu, Maharashtra and Karnataka. Recent movements by

1. The plural is used, since there are several movements each with not only a different regional base but also with different styles and ideologies.

Punjab farmers have also been discussed, though briefly. Karnataka has, however, received the greatest attention, not only in narrating the course of events but elsewhere too. This is so because the author had the advantage of observing it at close quarters. Even otherwise, movements in this State have been quite interesting. They have thrown up wider issues on a more sustained basis than elsewhere. The social and political setting of the movements has emerged here with much greater clarity than perhaps in other States.

Starting with this chapter from a discussion of the nature of the movements and the dynamics of interaction between them and the power structure, we trace the rise of farmers in national polity. A place in the power structure has not made their position secure. The landlords had a sense of security in the feudal order, which today's rich peasants do not necessarily have. Their base in the agrarian structure and in the national economy and the weaknesses and insecurity they are exposed to, are analysed in the second chapter. The course of the movements—the background of agitations, their proximate causes, demands made, and the response of the State governments concerned—form the third chapter and the fourth chapter, the latter devoted only to Karnataka.

In the fifth chapter we come to the central issue of the class character of the movements, and the reaction of the Dalit movement. The chapter also explains why the movements could enlist the support of even small farmers in the areas where they were staged. The class base of the movements is examined in the inter-sectoral perspective too. The seventh chapter examines how far farmers' grievances on price and related issues have an objective basis. The concluding chapter raises the question as to whether increasing relative agricultural prices could be used as an instrument of economic development, particularly rural development, and presents the main conclusions of the study.

Apart from secondary data and articles published in academic and popular journals and newspaper reports on the agitations during the last several years, the author has relied on personal discussions with several prominent leaders of the farmers' movements and with the farmers themselves at the State level, as also at the village level. Field visits and informal interviews, particularly with the Dalits, provided immense insights. Even prior to field visits made specially for this study, the author had several

opportunities of fieldwork in the villages of Karnataka, Maharashtra, Tamil Nadu and Andhra Pradesh, the insights gained from which were useful for this study too. Discussions with other students and investigators engaged in fieldwork in villages of the regions where farmers' agitations took place, were also useful in checking with the author's own observations.

MOVEMENTS AND THE POWER STRUCTURE

Though the power structure of a State resists change, it is not static. Social movements are a significant means of changing it. However, all movements do not have the same character. Revolutionarily progressive movements are those that intend to transform the entire society and polity in such a way that the distinction between the propertied (owning the means of production) and the non-propertied, and the social and economic oppression of the mass of people going with it, are abolished. Partially progressive movements, in contrast, have limited objectives and aim at, or are designed to result in, an entry for particular sections of the non-propertied into the power structure through acquisition of property. Movements may also be launched by those within the power structure against its more powerful components, if the former feel threatened and feel the danger of its large sections being expropriated and marginalised. In a limited sense this too is a progressive movement if, in the absence of such an organised movement, the process of broadening or expanding the power base is reversed, though it may not be progressive in the sense of securing entry into the power structure for those who were hitherto outside it.

The power structure of a State apparently comprises the government, the ruling political party, the bureaucracy, the legislature, the police and the judiciary. But it is the social and economic bases of these organs of the State that actually constitute and determine the power structure. The word 'bases' is used in plural deliberately, because there need be no single base, and the power structure at any time is the outcome of a balance of social, economic and political forces operating in the State. This balance at any time need not again be equitable even among the components of the power structure, and one of them may be more dominant than the others. In a federal set-up there is a further complexity in the

sense that the dominant group at the State level may be different from the one at the Centre, with some areas of conflicting interest.

Basically, the power of a class is derived from the control it exercises on property or the means of production and their use, because such control facilitates control over others too. The differentiation of power structure broadly corresponds to differentiation of property or control thereon. Apart from control through employment of manpower, control over the surplus created is an important source of power. Industrial capital, merchant capital, and land are the major means of production, control over which provides a source of power. Merchant capital is also included here as a source of power, not only because it is productive of some use value in the sense of meeting the needs of storage, processing, and transport, but also because of the control it can establish over the surplus, even if the surplus is created by others. At regional or local levels, its dominance may have a special relevance.² Particularly at the initial or underdeveloped stages of capitalist development, dominance of merchant capital and its profitability may be so great that control over merchant capital may be a major means of power.

It is not necessary that owners of industrial capital, merchant capital, and land form mutually exclusive classes because to some extent landlords and capitalist farmers can also become traders, and traders can also become industrialists. Such a rise, however, may be a prolonged process involving generations. At any one time, therefore, one could recognise a class with a preponderant base in one of these. There could certainly arise sharp contradictions between the economic and political interests of each of these classes, giving rise to a power struggle among them. The balance of power which is attained at any time through such a struggle can define different stages of development and forces of production; in turn the development of forces of production can alter the balance of power among them.

Sharper contradictions exist, however, between the propertied classes who form the power structure and the non-propertied who

2. The strength of merchant capital was felt by Barbara Harris to be so great that neither agricultural capitalism nor the state was able to crush it in Tamil Nadu; in this sense, she even named it as a merchant state. See her *State and Market*, New Delhi, Concept, 1984, p. 332.

are outside it. The classic movements are the movements by the latter against the former. Mostly defensive in character, they intend to overcome the process of immiserisation, necessitated by the sheer need to survive. Peasants' movements against feudal exploitation, and movements by the Dalits and agricultural labour, by tribal people against the erosion of their base of sustenance, the forests, and such others can be placed in this category. Movements of the non-propertied against the power structure have a revolutionary potential when they realise that the cause of their deprivation is the whole system, and that all the exploited can be mobilised on this issue through a revolutionary ideology. Even where such movements appear to have been crushed, they succeed in stimulating social legislation for the protection of the weak, and for land reforms. Joshi has rightly attributed land reforms legislation in India to the Telangana and Naxalite struggles, rather than to the sense of charity of the state.³

The revolutionary potential of many movements is, however, often limited by the sharp differentiation even among those who are outside the power structure, which comes in the way of joint struggles. We may, therefore, see what classes constitute those outside the power structure. The classes with very little property, property so small that they can operate it with little or no employed labour, cannot obviously have much control over others either through employment or with surplus created, and cannot therefore be a part of the power structure. Peasants operating their land mostly with their own labour, artisans and such other small producers—both urban and rural—come under this category. The rural labourers—with or without land—are poorer still and socially also on a lower status. Often small peasants too have to depend on hired labour of these classes, though not as much as the rich peasants. A caste hierarchy among these classes outside the power structure makes their differentiation even more complex.

The urban proletariat and obviously the urban unemployed form the other two classes among those outside the power structure. The inclusion of the organised urban proletariat in this category may be questioned by some. Organisation to promote common interests is obviously an important means of a class trying to overcome the

3. See P.C. Joshi, *Land Reforms in India: Trends and Perspectives*, New Delhi, Allied, 1975, p. 90.

limitations imposed upon it by the limited ownership (or absence thereof) or control of, the means of production, by taking advantage of its numerical strength vis-a-vis the propertied classes. Some may find it easy to organise themselves because of their working conditions, while others may not. So long as such an organisation does not lead to acquisition of property that enables appropriation of surplus created, to control over labour employed, and to political power, it cannot be said to provide entry into the power structure. Not organising so on the part of this class does not necessarily confer an advantage over those unable to organise. We cannot, however, rule out contradictions between the organised and the unemployed, particularly if they affect capital accumulation and employment generation, though the difficulties on this front cannot be simply attributed to organisation of labour alone.

The managerial and bureaucratic class in industrial and commercial undertakings cannot be considered to be a part of the urban proletariat. It is more akin to government bureaucracy and could be clubbed with it in class analysis.

Bureaucracy cannot be identified with the urban proletariat, nor with the industrial capital. It is a subservient part of the power structure. When the process of inbreeding cannot meet the needs of its expansion, its members may occasionally come from a class outside the power structure. The social base of a particular bureaucrat may make him more sympathetic to his class base, but the bureaucracy as a whole is basically a servant of the prevailing power structure. Bureaucracy may also try to promote its own interests as a class, but even as a class it is subordinate to, and derives power from, the power structure. Bureaucracy may often confront struggles against it or resistance to it from particular classes. In exercising the state power and functions, the bureaucracy may often alienate itself from the people it deals with, particularly the people who are either at the fringe of the power structure or outside it. The arrogance or indifference it may show in the process may further add to this alienation and even provoke struggles. But the struggles, though apparently against the bureaucracy as such, are basically a part of the struggle to alter the power structure.

Though a revolutionary mass movement against the character of the state is difficult because of the differentiation even among the

masses, movements of particular sections to enter the power structure can take place more easily. However the entry into the power structure is determined by the degree of success of a movement of the non-propertied in securing property. When movements succeed in this, the base of the power structure is widened. Such movements can be called progressive, though they may not be revolutionary in the sense of abolishing private property and opening the power structure to all the non-propertied.

Such movements have a social dimension too. In a society ridden with caste hierarchy, the relatively backward and oppressed castes seek a social transformation through movements to overcome their social inferiority. The experience of social transformation of a few castes through such movements have been analysed by M.S.A. Rao.⁴ However, the transformation of the most oppressed castes—the Dalits is far from complete, and even where it has occurred on educational and social planes, it has not converted them into propertied classes.

Though movements on caste lines have shown a progressive character when they concerned the backward and oppressed castes, they have shown serious limitations in other cases. This is because of class hierarchy within other castes. Every caste need not be equally class-heterogeneous and may be less so particularly at the higher and lower ends of traditional ritual caste hierarchy. The relatively rich numerically dominate the forward castes. Whereas the oppressed—the Dalits and the backward castes—consist mostly of the very poor with little or no property. However, among the middle castes, who 'ritually' occupied middle positions in the caste hierarchy, there has been a considerable class heterogeneity. If these middle castes are also numerically dominant, as happens to be the case in several States of India like Karnataka, Maharashtra, Tamil Nadu and Andhra Pradesh, the rich among them can enhance their economic and political power through caste appeal. The rich among them control not only most of the land in rural areas, but also credit and trade. The concept of the dominant caste was evolved by M.N. Srinivas to precisely understand the position and role of these castes. According to him, "A caste may be said to be 'dominant' when it preponderates numerically over other castes, and when

4. M.S.A. Rao, *Social Movements and Social Transformation in India*, New Delhi, Macmillan, 1979.

it also wields preponderant economic and political power. A large and powerful caste group can be more easily dominant if its position in the local caste hierarchy is not low".⁵

Rejecting both the extreme notions, viz., that every caste has a class hierarchy and that class and caste perfectly correlate, Thimmaiah and Aziz recognise the predominance of the rich in some castes and the predominance of the poor in others, and consider such an approach to be more useful.⁶ While this is a more accurate description of the higher and the lower ends of the caste hierarchy, it does not take into account class heterogeneity in the middle castes, though this may well be subjugated to caste solidarity. Polarisation in rural areas does not take place along class lines mainly because of this phenomenon, and due to certain economic and social advantages which the poor among the middle castes have, due to caste affiliations, over the poor from the backward and oppressed castes. Thimmaiah and Aziz recognise, however the role played by the dominant castes in the struggle for power. They have noted: "After Independence, though attempts have been made to reduce the exploitation based on caste, politicisation of caste has only strengthened the stranglehold of caste system in different forms. It is the political revival of caste system which has led to the failure of land reforms".⁷

Since a non-revolutionary movement, even if progressive, does not attack private property and the economic system based on it, the entry of a non-propertied class into the power structure resulting from such a movement need not necessarily displace a propertied class from the power structure, but it may transform the nature of such a class. Often a struggling class is accommodated without a tangible long-term loss to the class against whom the struggle was launched. Payment of compensation to landlords for land lost, enabling them at the same time to hold on to the best parts of land, is a typical example of this type of change. Landlords now become capitalist farmers-cum-traders-cum-entrepreneurs. With compensation obtained, they can have new lines of investment.

5. M.N. Srinivas, 'The Social System of a Mysore Village', in *Village India*, edited by McKim Marriott, 1955, as quoted in M.N. Srinivas, 'The Dominant Caste in Rampura', *American Anthropologist*, Vol. 61 (1), 1959, pp. 1-16.

6. G. Thimmaiah and Abdul Aziz, *Political Economy of Land Reforms*, New Delhi, Ashish, 1984, p. 11.

7. *Ibid*, p. 11.

Compromise can come more easily in the context of a fast growing economy with expanding opportunities of gain, facilitating accommodation. But contradictions between different constituents of the power structure and also between the power structure and those outside it, get sharpened in a context where the economy is growing slowly with stagnant economic opportunities.

But the creation and admission of a new class like the rich peasants into the power structure by no means settles the matter. The new entrants find new contradictions with those who were already in the power structure and were dominating it—the industrial and merchant capital. When the new entrants find serious inequity within the power structure and even feel threatened that in the course of capitalist development they may well face the prospects of being marginalised, they launch struggles against the more powerful. In this they need the support of those who are outside the power structure, particularly the small peasants and rural labour, with whom they can identify through a proper ideology. But this has its dangers. Once the small peasants and rural labour begin to see no benefits for them and find that the ideology is only a facade for power struggle within the power structure, the movement can start disintegrating. If a movement's drive is purely towards its own class interests and if its inspiring force is nothing more than pure economism, such a movement is least likely to find allies and a mass base necessary to alter the power structure in a progressive way.

An interesting question arises as to why movements are at all necessary in a democracy and why particular class interests cannot be realised through the parliamentary machinery alone by seeking entry into the legislature. An apparent reason for this is that in a capitalist democracy, only those who are from, or having the backing of, the power structure can win elections. Even in an industrial area, it is no easy matter for a communist trade union leader to get elected even if he is popular and respected. Power of money in elections is now common knowledge, but this is not the full story.

The more intriguing but related question is about movements taking place not only outside elected legislatures, but even outside the framework of the political parties. Though most of the earlier peasants' movements were organised by political parties, particularly communist and socialist, the recent farmers' movements in Tamil Nadu, Maharashtra and Karnataka began and

continued on 'non-political' (that is, non-party) lines. There are other movements on ecological issues which too were organised—and still continue—on non-party lines.

The rise of non-party political process has been hailed as a historical phenomenon by Kothari. According to him it plays a specific social role, and reflects the realisation of the need to "redefine the whole concept and structure of politics with a view to empowering the masses for a transformation at and from the very bottom of the society. . . ."⁸ Such a role, according to him, has emerged in the context of profound marginalisation of millions of people, and the indifference of the political system to it. Though one could agree with him on this point in the case of movements like those of the Dalits, it is difficult to generalise on this issue and regard the role of all non-party political movements as revolutionary, though they may be progressive in the sense explained earlier. It should be noted in fairness to Kothari, that he did not discuss the question with specific reference to farmers' movements, but in rather general terms. It is, however, the farmers' movements that are in the forefront of non-party politics of several States today, particularly Karnataka.

There are indeed genuine reasons for the mass of peasants to get disenchanted with politicians. The latter have shamelessly exploited caste politics to their advantage, used 'patrons' from the dominant castes as their 'vote banks',⁹ and ignored the interests of the ordinary peasantry. They 'nursed' their constituencies by giving roads, electricity, credit, and modern inputs, the bulk of the benefits of which were cornered by the patrons themselves.¹⁰ But the situation today is such that even the patrons and rich peasants are disenchanted with politicians. Either the former cannot take the loyalty of politicians for granted,¹¹ or they find that they are powerless to alter the balance of power in their favour unless backed by a

8. Rajani Kothari, 'The Non-Party Political Process' *EPW*, February 4, 1984, p. 222.

9. Expressions used by Srinivas, 1959, *op. cit.*, p. 15.

10. A phenomenon stressed by Michael Lipton in his well known *Why Poor People Stay Poor—A Study of Urban Bias in World Development*, London, 1977.

11. An evidence of this distrust is a call given in March 1984 by the Farmers' Association (KRRS) in Karnataka to legislators to make their pro-farmer stand clear, failing which farmers would *gherao* them.

massive movement outside the legislature. Nevertheless, the non-party status seems to be preferred more to have enough leverage to pressurise any party that may happen to be in power and to ensure that farmers' professional interests are not subordinated to the wider interests of any political party, than to 'redefine the whole concept and structure of politics'.

What is the role of the state in all this struggle for power and property? Most of the struggles are generally directed against the government and its bureaucracy, the executive organ of the state. At any given time, the executive power of a state reflects the balance of interests which compose the prevalent power structure. Any movement which seeks to alter this balance in its favour is therefore directed against the executive power of the state. At this juncture, taking the country as a whole, the balance of power is weighed most in favour of the industrial capital interested in capitalist development. The role of the state under such conditions is to facilitate capitalist development. Acting in the larger interests of such development, the state may try to resolve contradictions arising in its course, providing relief to those who are victims of the development or are outside the pale of its benefits.

In its power struggle with other components of the power structure whose thrust may not be favourable for capitalist development under its auspices, the industrial capital may even seek alliances which could irritate the other components of the power structure. Devraj Urs's 'revolution' in Karnataka during the seventies in which he nearly replaced the dominant castes by the backward and scheduled castes in government power,¹² is a telling example of accommodation by industrial capital in the larger interests of economic development. Alleviation of poverty and even of social inequality imposed by the vestiges of feudalism and casteism, and expansion of the home market which takes place in the process, are in the larger interests of capitalist development. The state will try to push forward this process, even if it does not please certain components of the power structure.

12. For an account, see James Manor, 'Pragmatic Progressives in Regional Politics: The Case of Devraj Urs', *EPW*, Annual Number, February 1980; Lalita Nataraj and V.K. Nataraj, 'Limits of Populism, Devraj Urs and Karnataka Politics' *EPW*, Vol. 17(37), September 11, 1982; and M.N. Srinivas and M.N. Panini, 'Politics and Society in Karnataka', *EPW*, Vol. 19(2), January 14, 1984, pp.70-71.

It may be noted here that the role of the state cannot be viewed in terms of a mere defender of even narrow and short-run interests of industrial capital, in which case it cannot play the role of resolving contradictions of capitalist development. According to Miliband, the role of the state in a capitalist democracy is more concerned with the defence of the given social order than simply with the defence of capital.¹³ What is most at stake is not merely the defence of industrial capital, nor even of the given social order, but of economic growth and development of the forces of production.

This is because no power structure and no modern state can survive for long if it cannot ensure economic growth. Economic growth also increases the capacity of the state for accommodation. If the outcome of a movement is expected by the state to have an adverse impact on the development of the forces of production, it is likely to resist the movement with all its power rather than accommodate it. For example, it is generally feared that a demand for turning the terms of trade significantly in favour of agriculture consistently and continuously or a demand for increasing wages out of proportion to productivity, would decrease the rate of accumulation and harm capitalist development. Such demands, therefore, are likely to be strongly resisted. This resistance need not however smother movements. An accommodation can be achieved if the state ensures conditions in which the largest possible part of the population develops a stake in economic growth and share its gains.

PEASANTS' MOVEMENTS AND RISE

The power structure of India has undergone significant changes in the last fifty years or so, the replacement of the British being only a part of the story. The process of widening of the power base of the country mainly through the entry of peasants into the power structure started with peasant movements, the gains of which were consolidated during the sixties and the seventies. Indian agriculture remained firmly under the heels of feudalism, the zamindari system having been promoted and supported by imperialism. Even in the

13. Ralph Miliband, 'State Power and Capitalist Democracy', paper presented at the ICSSR seminar on Marx, Schumpeter and Keynes on Capitalism, New Delhi, January 1984 (Mimeo).

ryotwari areas, rack-renting, insecurity of tenure, usury, bonded labour and absentee landlordism characterised the rural scene.

There is a long—and fairly well recorded—history of peasant movements in India when peasants rebelled against this feudal exploitation.¹⁴ Dating back to the previous century, they continued even after Independence. Though initially the freedom struggle was a white collar movement, it was imperative to broaden its base, particularly in the countryside. Otherwise it just could not have been a national movement.¹⁵ The way in which this was done was extremely complex, and it was by no means a once-over process. It was a process that continued well after Independence.

The countryside could be involved in the freedom struggle either through the participation of the rural poor or through the support of those who dominated the rural poor. Both these ways were resorted to, though they seem to be mutually exclusive. The obvious way of involving the countryside was to understand the problems of the rural poor and make them feel that they too had a stake in freedom from imperialism. Feudalism was the single most important factor behind the misery of the rural poor, and if they were to be mobilised the struggle had to be primarily against feudalism and then against imperialism, because the former had the support of the latter. There were quite a few in the freedom struggle who believed so, particularly the communists and the socialists, who staked their strength and prestige to the cause of peasants' movements. But there were also others who took a more 'pragmatic' view. They agreed in principle that feudalism had to go (because otherwise capitalist development could not be speeded up), but they believed

14. See A.R. Desai, (ed.) *Peasant Struggles in India*, Delhi, OUP, 1979; D.N. Dhanagare, *Peasant Movements in India (1920-1950)*, Delhi, OUP, 1983; Kathleen Gough, 'Peasant Resistance and Revolt in South India', *Pacific Affairs*, Vol. XII (4), 1968-69 (winter), and also her 'Peasant Uprisings', *EPW*, Vol. 9 (Spl. No.) August 1974; K.C. Alexander, *Peasant Organisation in South India*, New Delhi, Indian Social Institute, 1981; Sunil Sen, *Peasant Movements in India: Mid-Nineteenth and Twentieth Centuries*, Calcutta, Bagchi & Co., 1982; Ranajit Guha, *Elementary Aspects of Peasant Insurgency in Colonial India*, Delhi OUP, 1983.

15. For an account of events illustrating how the Congress tried to achieve a foothold among peasants in Karnataka by taking peasant issues as part of the Freedom Movement, see Suryanath U. Kamath, 'Agrarian Agitations and Freedom Movement in Karnataka', *Quarterly Journal of Mythic Society*, Vol. 73(2), April-June, 1982, pp. 14-23.

it could be done after Independence through a process of legislation and implementation thereof. They believed that penetration of the freedom struggle into the countryside needed the support of landlords who dominated rural areas. The landlords too were, therefore, courted and became political leaders in no time even on their own. This was because they too were afraid that if the freedom struggle was dominated by anti-feudal forces and the rural poor were 'incited' by them, their own position would be very unsafe.

There was in the countryside another phenomenon with which the freedom struggle had to come to terms: the social movements against casteism, which understandably were also anti-Brahmin in quite a few areas. Thanks to these movements, an awakening was spreading among the middle castes, whose leaders were becoming suspicious of Brahmin domination of the freedom struggle.¹⁶ Eminent leaders of the oppressed classes such as Dr. Ambedkar and the Periyar rightly stressed that the social struggle against casteism was as important as, or perhaps even more so than, the struggle for political independence. As a part of these movements, an intensive drive to open institutions of higher learning in areas more accessible to rural communities was launched, and hostels were started for the benefit of the students. The thrust of the movements was, however, more towards securing adequate representation in civil services—a thrust which has continued to this date. These indeed were progressive dimensions of the movement, as they threw open education to a vast section of the people for the first time and broke caste barriers to culture and knowledge. However, these social movements were not integrated with peasant movements to secure land to the tillers of soil, let alone the landless labourers (with some honourable exceptions like the movement led in Uttara Kannada district which would be shortly discussed).

This was not an accident. It was often the non-Brahmin upper caste peasantry who were in the forefront of movements against casteism. They challenged the Brahmin supremacy in civil services and education, but did not like to be challenged in respect of their property rights in rural areas. It was this class that the freedom struggle had to come to terms with. These 'terms of trade' went very

16. Kamath has recorded in the context of Karnataka how the leaders of freedom struggle were jeered at by the middle caste leaders for being puppets of Brahmins, even when they were their caste brethren. *Ibid.*, p. 14.

much in favour of these castes, and left a shadow on the whole process of land reforms legislation and implementation for long after Independence.¹⁷ These castes, being dominant, could control bureaucracy through political power. They were often uppermost in the tenancy hierarchy when they happened to be tenants and cultivated land through sub-tenants and bonded labour. It suited them to demand land for the tenants, but not for the tillers.¹⁸ The question of agricultural labour was left far behind.

The accounts of two peasants' movements, both from Karnataka, should be of interest here from several points of view.¹⁹ They have differences significant enough to show that the outcome of all movements was not the same, and yet had some fundamental similarities. They took place, respectively, in Uttara Kannada district (North Kanara—referred to as NK hereafter) which was part of the erstwhile Bombay Province under the British, and in Shimoga district which was a part of the princely State of Mysore. They are, however, adjacent to each other and have similarities in rainfall, crops grown etc. Within NK, the movement had its base in the narrow coastal strip where landlords were mostly urban based Brahmins, but in the upland Ghats garden cultivation, mostly under personal supervision, dominated the scene. In Shimoga, on the other hand, the landlords who cultivated their best lands under personal supervision also leased out substantially. They were very much on the rural scene, and belonged to the Brahmin, Lingayat and Okkaliga castes. There were numerous tenants also among the Okkaligas. Though nominally a ryotwari area, Shimoga had fairly

17. The contention of Thimmaiah and Aziz attributing the failure of land reforms in Karnataka to the dominance of these castes may be recalled here (*op. cit.*). Also see their 'Causes of Failure of Land Reforms: (1) Land owners, not graft to blame, (2) Pressure groups at ceiling exemption', *DH*, 18 & 19 January 1984.

18. Legislators of land reforms were not unaware of this distinction. Socialist legislator, Gopala Gowda, drew the attention of the Mysore Legislature to this distinction as far back as 1953. Twenty-five years later the Karnataka legislature had to be reminded about this by an ex-socialist legislator, J.H. Patel, while discussing the land reforms bill introduced by Urs. Cf. G. Rajashekhara, *Kagodu Satyagraha*, Sagar, Akshara Prakashana, 1980 (in Kannada), pp. 45-46.

19. There has been another major tenancy movement in Karnataka, apart from the two discussed below. It was in Dakshina Kannada district (South Kanara) led by B.V. Kakkilaya of CPI. Since the details of the movement were not available, it is not discussed here.

big landlords called Gowdas, who controlled not only almost the entire villages where they lived but lands much beyond. Their holdings were much larger than any in NK. Agriculture in Shimoga was much more commercialised through cash crops such as sugarcane, which the Gowdas cultivated mostly under their personal supervision.

The peasants' movement in NK was a fairly protracted struggle of over three decades dating back to early 1940, a few details of which are available in a booklet.²⁰ Interestingly, the leaders of this movement, Dinakar Desai and Sheshagiri Pikle, who organised the oppressed tenants against their Brahmin landlords were both of them ideologically inspired Brahmins. Politically both were opposed to the Indian National Congress and worked together for a common cause, though the former was of a democratic socialist persuasion and the latter subscribed to communism. Desai was a well known poet in Kannada, who regaled and inspired the illiterate tenants through witty poems and limericks.

The demands of the movement were fairly ambitious, if not revolutionary. In Desai's words, "The rent payable to landlords should decrease in phases and then be completely abolished. Justice demands that the actual tillers of the soil be also its owners. It is the ryots' birthright to have the ownership of the lands they till. The rates of rent should decline from the present 1/3 to 1/6 to 1/10 and then the land should be completely given to tillers with no rent payable. If the middle class landlords face difficulties in the process, it is the government's responsibility to look after them and pay a lump sum compensation. In the case of rich landlords, no such compensation is needed."²¹ For making these demands, Desai was expelled from the district in 1940 for five years. But the tenants were already organised and they carried on their struggle under Pikle's guidance. There were cases of eviction of tenants particularly after the Bombay Tenancy Act of 1946 was passed, but they were so well organised that no other tenant could take up the cultivation of the concerned land. The urban based landlords could not of course till on their own and in most cases had to be satisfied with whatever

20. Vishnu Naik, 'Haddupaarina Hinde-Munde' (Expulsion: Before and After), Ankola, Raghavendra Prakashan, 1982 (Kannada). Thanks are due to G.V. Joshi for further information and discussion.

21. Naik, *op. cit.*, p. 18.

little they got from the tenants. Often the latter defied the landlords to go to courts by paying much less than what was legally due.

Though tenancy was not abolished till the seventies, tenants were already in complete control in most of the cases by the fifties. The struggle in the 1960s was mostly to secure cultivable forest land for distribution to the landless and to those having tiny holdings. Even in the forties and fifties when the land reforms legislation allowed resumption of land by landlords for personal cultivation, it was difficult for urban based landlords to do so or to get loyal tenants who would agree to be called as labourers. Tenancy movement in the district thus became comparatively a great success.²² It was largely an example of a movement which, with a fair degree of success, ushered in a transition from feudalism to peasant capitalism, an example of Lenin's democratic path to development of capitalist agriculture.²³ This did not mean that the problem of poverty of tenants was solved, since their holdings were tiny and, in the absence of opportunities for education and non-agricultural occupations for their children, they faced bleak prospects.

Desai was aware of this, and attended to cultural and educational aspects of their uplift. The initial help in this direction came from the peasants themselves when Pikle, who was a school teacher, was dismissed from his landlord-dominated school for his political activities. The peasants collected a sum through their own contributions to start a new school, which came into being in 1953. Encouraged, Desai collected more contributions in Bombay and founded the Kanara Welfare Trust.²⁴ He started a string of schools, colleges and hospitals, and offered freeships and scholarships to the poor. These facilities were very scarce in the district till Desai had plunged into welfare activities.

The movement was not without its shortcomings, though. First, there was a caste hierarchy among the tenants themselves, though

22. D.R. Gadgil observed with reference to the working of the Bombay Tenancy Act of 1948 that in the *Konkan* where a large number of landlords were urban based, the Act succeeded in protecting tenants, but in the *Desh*, landlords succeeded in getting voluntary surrenders 'because the bulk of the landlord class is perhaps formed of the better-to-do among the body of peasants themselves'. The experience was not, therefore, unique. Cf. P.C. Joshi, *op cit.*, p. 95.

23. Cf. V.I. Lenin, 'The Agrarian Programme of Social Democracy in the First Russian Revolution: 1905-7', in *Collected Works*, Moscow, Vol. XIII.

24. Naik, *op.cit.*, pp. 38-39.

they were mostly non-Brahmins. The relatively upper castes gained more, and when they happened to be landlords themselves, could more easily resume land.²⁵ The Halakkis, who were ritually lower by caste and poorer, gained relatively less, though they were the main strength of the movement. Secondly, the scheduled castes who were mainly labourers were hardly covered by the movement and gained nothing from it. The wage issue could not be taken up as Desai seems to have feared that it would divide the movement. He also identified the main problem as one of land to the landless, and gave active support to the movement to gain forest land for the purpose. But his had its limitations.

A lucid and fairly detailed account of the movement in Shimoga has been given by Rajasekhara.²⁶ The tenants here mostly belonged to a backward caste called the Deewars. Though the demands raised by this movement were less ambitious than in NK, the movement in Shimoga met with far more—and brutal—resistance by not only the landlords but also the Congress-ruled State government which was one with the landlords. It may be recalled that being rural based and big holders, they were far more powerful here than in NK. It is, therefore, remarkable that the Deewars rose in protest in an organised movement, the outcome of which, however, was dismal compared to peasants' movement in the neighbouring district.

Though a tenant's movement could be said to have formally started in Shimoga in 1946 with the founding of the Malnad Tenants' Association (MTA), it was more to pre-empt a radical movement than to stimulate it. The Association was started by an incompatible mixture of leadership drawn from both the Socialist and the Congress Parties, the latter even including the landlords. The demands of the Association included fixation of rent at one-third of output and making tenancy more secure by providing for documentation of terms, but did not envisage an ultimate abolition of tenancy. In practice, the association never opposed or protested against any landlord. The Deewars who were the real tillers had the lowest rights in the tenancy hierarchy and so had

25. It may be noted however that these relatively upper castes in NK are not the dominant castes of the State and are economically, politically and socially backward compared to the latter. Their land holdings too were smaller than those of the dominant caste landlords elsewhere.

26. G. Rajasekhara, *op. cit.*

hardly an effective voice in the MTA. They formed in 1948 a separate association of their own, called the Sagar Taluk Peasants' Association (STPA). This was started by an educated Deewar, Mr. Ganapatiappa. Formerly the demands of the STPA were the same as those of the MTA, but later it asked also for the grant of gun licences to peasants for protection against wild animals, abolition of free labour extracted by landlords from tenants, and grant of government crop loans directly to the tenants instead of to the landlords. Though a formal abolition of tenancy was not asked for, the STPA was more serious about its demands and its additional demands were indeed radical. However, both ignored the problems of agricultural labourers and the needs of the scheduled castes.²⁷

The agitation which made the movement famous was on a comparatively trivial issue over a measure called *kolaga*. Officially, it was supposed to be equal to three seers in weight, but the landlords literally employed double standards. When they sold or loaned foodgrains, *kolaga* conformed to the official measure. But when tenants had to pay their rent in kind, the measure varied in volume ranging from 3-1/4 to even 4 seers in weight depending on the landlords. Tenants of Kagodu village protested against this in 1950, and the Gowda of Kagodu, who controlled almost all the lands in the village and beyond, not only stood firm, but started evicting tenants who protested. The Socialist Party was then directly drawn into the struggle, staking its full strength, thanks to Gopala Gowda who was the State Secretary of the Party. Even Ram Manohar Lohia visited the district with a batch of Satyagrahis. Thousands were brutally beaten up by both the police and the landlords.

As a compromise, the Government offered alternative land to the evicted tenants in another village, but the offer was not accepted. However, the tenants could not hold on for long, as they were driven to near starvation in spite of the efforts of the Socialist Party to collect grains and cash to meet their needs. Though tenants in other areas had sympathised with them and rendered some help, the agitation did not spread outside Sagar Taluk; it was almost confined to Kagodu. By the beginning of the next sowing season, tenants began to approach the Kagodu Gowda for their reinstatement. He too needed their services, but he imposed his own terms. Within one

27. Ultimately, the STPA lost its separate existence and was obliged to merge with the MTA in 1951, renamed as the Malnad Peasants' Association.

year, 1950-51, the agitation appeared to have died down, almost ending the tenants' movement in the district. It is reported that the Gowda not only did not lose an inch of land, he did not even concede the demand on the *kolaga*.²⁸

A gain to tenants from the movement, as noted by Rajasekhara, was that extraction by landlords of free labour stopped, at least in Kagodu, and the landlord-tenant relation was formalised, ending the earlier patron-client relation. Ultimately, the formalisation and documentation of tenancy helped the tenants to declare the land as their own, when the 1974 legislation was implemented.²⁹ However, the best of the lands had already been resumed by the Kagodu Gowda for personal cultivation, from the evicted tenants.³⁰ This was not a unique step in the district or the State. The situation was much worse in places which did not witness such movements. Even the 1974 amendment to the Land Reforms Act provided for personal resumption, subject of course to a lower ceiling than before for a family unit.³¹ No wonder, Pani titled his study of the land reforms legislation in Karnataka as 'Reforms to pre-empt change'.³² What ultimately emerged in the district was a mixture of landlord capitalism and peasant capitalism, the former dominating over the latter. And it is this district that is once again in the forefront of farmers' movement in Karnataka today.

The Kagodu movement also ignored the scheduled castes and agricultural labourers as noted above. The inability of the movement to draw them into its fold must have been responsible for the fact that during the agitation the Kagodu Gowda could use scheduled caste labourers to evict the tenants and also as witnesses in his favour in the courts of law, as narrated by Rajasekhara. This

28. See Rajasekhara, *op. cit.*, p. 114.

29. *Ibid.*, pp. 114-15.

30. *Ibid.*, p. 115.

31. The principle of resumption for personal cultivation was laid down since the First Five-Year Plan and by the seventies there was probably little land left for tillers to become owners. As Appu has remarked, "The policy of 'land to the tiller' could not have been carried out without hurting private property rights. But the policy makers were unwilling to wound and afraid to strike." It was mainly the tenant's movements which could have brought benefits to tenants, and not the legislations. Cf. P.S. Appu, 'Tenancy Reform in India', *EPW*, August 1975 (Special Number), p. 1345.

32. Narendar Pani, *Reforms to Pre-empt Change: Land Legislation in Karnataka*, New Delhi, Concept, 1983.

neglect of issues concerning landless labourers is not unique to the Kagodu satyagraha. History seems to be repeating itself even in the case of farmers' movements, as we shall see later.

It has been conceded by even those who participated in peasant struggles elsewhere, that the cause of the most deprived was ignored even by the communists.³³ They could not challenge the leadership of most of the peasants' movements when it was in the hands of the upper crust of the middle caste peasantry. Though the need for a separate organisation for agricultural labourers was conceded, no significant steps were taken in the direction at least till the fifties. Even thereafter, agricultural labour was organised only in a few areas of the Punjab, West Bengal, Andhra Pradesh, Tamil Nadu and Kerala. There is a separate Bharatiya Khet Mazdoor Sabha, now both at the all-India and State levels, under the CPI, and the All-India Agricultural Labourers' Union under the CPI-M, apart from their respective Kisan Sabhas.³⁴ Interestingly, "the question was often asked whether the agricultural labourers could at all be regarded as a separate category. It was argued that capitalist relations had not yet developed in agriculture; the agricultural labourer was a ruined peasant whose main demands centred on land and employment throughout the year."³⁵ Even the landless labourers and tenants clamoured for some parcels of land for cultivation on a secure basis, even if rented, more than for a hike in wages. Struggles on wage issues were organised much later, mostly after the sixties. But even today they are confined to extremely few areas considering the vastness of our countryside.

What needs to be noted here is that struggles were mostly on immediate issues and, let alone the Congress, even the more radical parties did not succeed—even when they had the will—in elevating them to a higher political plane for totally ending exploitation in rural areas on the basis of equal rights for all rural sections. It was because of the victory of reformism and defeat of basic issues that the rich peasantry reaped the benefits of the struggles to the exclusion of others. The absence of a sharp differentiation too, the most exploited landless workers being in a minority, helped this

33. Sunil Sen, *op. cit.*, pp. 196-98.

34. Thanks to the split in the Communist Party, there are two Kisan Sabhas now. Other political parties have also their own organisations of peasants, but not necessarily with separate wings for landless labour.

35. Sen, *op. cit.*, p. 197.

outcome. It was only in those relatively few instances where agricultural labour was separately organised and struggles were launched on wage issues, that benefits accrued to them. That relatively more radical movements like the anti-caste movements in South India and those by peasants failed to bring benefits to the most oppressed unless the latter were separately organised, has significant implications for farmers' movements today.

Peasants' movements and subsequent land reforms implementation, however, transformed the institutional nature of Indian agriculture from a dominantly feudal order to a dominantly capitalist order, subject to significant regional variations. The capitalist order itself was not of a homogeneous nature, for there developed a spectrum with landlord capitalism at one end and peasant capitalism at the other. In between, representing a larger part of the spectrum, the upper echelons of the tenancy hierarchy became the owners of the land they had leased in and controlled. In this process, the area under tenancy declined significantly over the decades. As per the NSS 8th Round, the leased in area was only 20.5 per cent of the operated area in 1953-54 in India, which declined further to 10.69 per cent in 1961-62 (NSS 17th Round) and 10.57 per cent in 1971-72 (NSS 26th Round). The difference between the landlord capitalists and the upper crust of the peasantry gradually declined in several areas with the earlier large holdings being split from generation to generation. Such holdings today may sometimes be operated jointly too, the ownership being vested in several brothers. Though the class issues within the rural scene hardly disappeared and the number of agricultural labourers, actually increased, there was a trend towards depolarisation. The old issues against feudalism went into the background, and relations became more and more formal and capitalist. It was the new set of issues arising out of agriculture becoming a part of the larger capitalist order that began to agitate the farmers.

The story of transition within agriculture is also a story of incorporation of the richer peasantry in the larger power structure. The introduction of irrigation into new areas and the adoption of HYVs broadened the base of richer peasantry, sometimes turning even the middle peasantry into those with a marketable surplus to sell. Even small holdings of 2 to 3 acres which were earlier not viable became viable with the adoption of HYVs and

irrigation.³⁶ Such peasantry become more aligned with the richer peasantry in their need for a greater say in the polity.

The rise of the rich peasantry to the status of the rural elite, which began with struggle on the social and economic front, culminated in their sharing power with the urban elite in the political sphere. The rich peasantry could easily dominate the countryside not only because they employed labour and offered credit to the small peasantry and labourers, but also because of their caste advantage as noted above. In a country with a dominant rural population and adult franchise, the political power base had to be broadened to accommodate this rural elite. Panandikar and Sud have analysed changes in the distribution of members of the ruling party in terms of their occupation status and found that among all occupational groups the agriculturists alone steadily increased their representation, forming now the most dominant group (see Table 1.1). They observe: "The present trend is a clear indication that the political processes, unleashed through free and democratic parliamentary elections, have started to bring about a major

TABLE 1.1: *Distribution (%) of members of the ruling party in Lok Sabhas by their occupation*

Occupation	Lok Sabhas			
	First (1952)	Fifth (1971)	Sixth (1977)	Seventh (1980)
Agriculturists	16.5	39.6	36.4	40.1
Lawyers	36.9	24.1	20.1	20.9
Social and political workers	15.6	11.1	24.2	18.9
Other professions	29.5	23.5	17.9	19.2
Others*	1.5	1.7	1.4	0.9
Total	100	100	100	100

* Former rulers, jotedars or zamindars.

Source: Panandikar and Sud, *op. cit.*, pp. 55-56.

36. See M.L. Dantwala, 'From Stagnation to Growth', *Indian Economic Journal*, Vol. 18(2), October-December 1970, p. 182.

TABLE 1.2: *Composition of the Legislative Assembly by occupation, 1972 election in Karnataka*

Occupation	Number	Per cent
Agriculture	99	56
Legal practice	51	29
Business	6	3
Others	22	12
Total	178	10

Source: Karnataka Backward Class Commission Report, Vol IV, pp. 822-23 (as quoted in Thimmaiah & Aziz, *op. cit.*, p. 58).

transfer of political power from the westernised and urban political elite to the rural classes.³⁷

A similar process was evident among the States too, even more prominently than at the Centre, since the power structure at the State level is even more easily within the reach of the rural elite. The position in Karnataka in 1972 can be seen from Table 1.2.

The proportion of agriculturists as shown in the tables can, in fact, be said to be underrepresenting the power of the rural elite, in so far as even among those in other professions such as bureaucrats, traders, lawyers, teachers and social and political workers there are many with an agricultural background. Due to the absence of a residency clause in land legislation, it is possible for members of farmers' families to continue to own land in spite of holding jobs in cities, and operate with the help of the relatives still based in rural areas. It helps the rural relatives, too, as they not only escape from ceilings but gain through access to a much needed base in urban areas—for education of children, contact with government offices, entertainment, and marketing; the urban relatives also become a source of funds in times of need. The latter in turn have a home to go to during vacations and get their foograins free of cost. Today such 'farmers' are to be found in numerous urban professions including the bureaucracy. The higher professions are mainly a privilege of rich farmers; other farmers have joined the industrial working class.

The rich farmers themselves, inclusive of the rich peasants and capitalist farmers, have considerably diversified their economic

37. V.A. Pai Panandikar and Arun Sud, *Changing Political Representation in India*, New Delhi, Uppal, 1983, pp. 57 & 59.

based, particularly in irrigated areas. The story of success of sugarcane farmers in Maharashtra who started sugar mills on co-operative basis is well known.³⁸ While continuing their hold on land, farmers in other areas too have diversified in trade, processing of agricultural produce, transport and small industries. This is a conspicuous feature in developed areas like the Punjab and Coimbatore in Tamil Nadu. Even in a relatively less developed area like North Arcot, John and Barbara Harris have recorded having observed a similar phenomenon.³⁹ John speaks here of how the small class of rich peasants and landowners came to span both rural and urban interests. The relation between rural and urban sectors has thus extended much beyond the sale of agricultural surplus and purchase of urban goods.

As an illustrative case it may be of interest to note that in a sample survey of Bangalore city conducted in 1973 by Prakasa Rao and Tiwari, 62.7 per cent of the heads of households were found to be migrants (i.e., born in places other than Bangalore). Nearly half of the migrants, 47.8 per cent to be more precise, were rural born. In other words, 30 per cent of the heads of households in the city were born in villages. In slums, this proportion was only slightly higher, viz., 31 per cent.⁴⁰ In absolute terms, rural migrants living in slums were much fewer than those living in other parts of the city, since slum households constituted only about one-fifth of the total. The bulk of the rural migrants must have come from relatively non-poor families, i.e., from the rich and upper middle class peasantry.⁴¹ Actually, small peasants and landless labourers migrate to towns, irrigated villages and construction sites more on a seasonal basis than on a permanent basis.

When rural power and influence have grown as shown above, the situation can be said to have matured for being organised to

38. B.S. Baviskar, *Politics of Development: Sugar Co-operative in Rural Maharashtra*, OUP, 1980.

39. John Harris, 'Why Poor People Remain Poor in Rural South India', in *Social Scientist*, Vol. 8 (1), August 1979; Barbara Harris, *Transitional Trade and Rural Development*, Delhi, Vikas, pp. 93-94.

40. V.L.S. Prakasa Rao and V.K. Tewari, *Bangalore—An Emerging Metropolis*, ISEC, Mimeo, 1976, pp. 329-30 and 445-46. (Later published by Allied in 1979 in a little condensed form. Some of the data used here are not in the printed book. The page references are to the mimeo version of 1976.)

41. The question of the class structure in rural areas is taken up in the next chapter.

promote the economic interests of the class more aggressively than before. This is what Byres asserts as having taken place.⁴² But the need for 'class-for-itself' (*a la* Byres) may not be sharply felt if the rural elite and the urban bourgeoisie are aligned to promote their interests jointly. This is the phenomenon which Mitra analysed,⁴³ and what Sau picturesquely referred to as the 'marriage of wheat and whisky', involving a 'dowry' paid by big business to rich farmers in the form of favourable terms of trade, massive subsidies and other concessions.⁴⁴ Sau has shown how the marriage was also beneficial to big business, foreign companies and their subsidiaries in the form of increased assets, sales and profits, though, in the process, the share of both the working class and small business declined. Obviously, the 'marriage' has not been working so well, at least of late, considering the farmers' movements on price and such other issues.

42. T.J. Byres, 'The New Technology, Class Formation and Class Action in the Indian Countryside', in *Journal of Peasant Studies*, Vol. 8(4), July 1981.

43. Ashok Mitra, *Terms of Trade and Class Relations*, London Franc Cass, 1977.

44. Ranjit Sau, 'Indian Political Economy', 1967-77; 'Marriage of Wheat and Whisky', *EPW*, Vol. 12 (15), April 9, 1977.

CHAPTER 2

Agrarian Structure and Agriculture in National Economy

AGRARIAN STRUCTURE

One of the difficulties in studying agrarian structure is that even if conceptually a particular framework has analytical significance, it may not be possible to exactly quantify the position of different classes. We can however discern the magnitudes involved at least approximately. A frequency distribution of holdings by size-classes, by itself, has no analytical significance.

The most important tool used for discerning class formation in any society has been the position of classes in terms of the employer-employee relationship. Having the sanction of Marxian theory, such an analysis provides useful insights into the property relations and class conflicts, particularly within a sector like agriculture, industry, and so on. Even in the analysis of the economy as a whole, such an analysis is relevant, though intersectoral relations—the relations between the rural power structure and the urban—also have their own contradictions which would be discussed subsequently.

Bardhan has presented a neat scheme of identifying rural classes in terms of self-employment (SE), labour hired in (HI), and labour hired out (HO).¹ It yields five classes:

Capitalist landlords	SE = 0; HI > 0; HO = 0
Rich farmers	SE > 0; HI > 0; HO = 0
Family farmers	SE > 0; HI = 0; HO = 0
Poor peasants	SE > 0; HI = 0; HO > 0
Landless labourers	SE = 0; HI = 0; HO > 0

1. Pranab Bardhan, 'Agrarian Class Formation in India', *JPS*, Vol. 10(1), October 1982.

In the middle of this class gradation are 'family farmers' or 'middle peasants' who neither hire in nor hire out labour and serve as a dividing line between the rich peasants and capitalist landlords on the one hand, and the poor peasants and land labourers, who have to depend on hiring out labour for their livelihood, on the other. The chief difficulty here is that there is hardly a class of cultivators who operate exclusively on the basis of self-employment. There are no 'middle peasants' in this sense, as pointed out by Rudra, since even small farmers who hire out labour, also hire them in.² It has been suggested by Utsa Patnaik that for this reason hiring in or hiring out had to be considered on a net basis, so that a clear distinction on class lines could emerge.³ If this is accepted, 'family farmers' as a class would vanish and we will have only two classes—those who hire in more than they hire out, and those who hire out labour more than they hire in, though within each class there is some degree of differentiation. Though Rudra's scheme also consists of only two classes, he does not approve of netting as having no theoretical base, and prefers to exclude those who both hire in and hire out from his two classes. The class contradictions emerge clearly between the big holders and labourers (including landed labourers).⁴ That there could be a sizeable section not amenable to a class mark stands to reason in another context too.

Quite apart from considerations of caste solidarity which may bind the middle level peasantry with the richer peasantry, other factors also vitiate their class differentiation. With uncertainty facing farmers both on the yield and on the price front, there may well be a class on the margin which is rich in one year and poor in another. Good or bad years would not affect the class-wise stability of farmers at the upper end and also of poor peasants at the lower end. The middle portion, which is 'unstable' in class nature, may not be numerically insignificant at all. In a study of the impact of drought in 1972-73 in two villages in a very drought prone area of Maharashtra, it was found that even cultivators with 50 acres or more sought employment in relief works to avoid starvation.⁵ This

2. Ashok Rudra, 'The Ruling Class in Indian Agriculture', Ch. 21 in his *Indian Agricultural Economics—Myths and Realities*, Allied, 1982.

3. Utsa Patnaik, 'Class Differentiation within the Peasantry', *EPW*, September 1976, Review of Agriculture.

4. Rudra, *op. cit.*

5. See V. V. Borkar and M. V. Nadkarni, *Impact of Drought on Rural Life*, Bombay, Popular Prakashan, 1975, pp. 43-45.

may be an extreme case of a very severe drought, but it should be noted that there can occur equally severe local droughts in several drought prone areas, though they may not coincide with droughts on a national scale. The instability of class identification of a sizeable section of farmers has hardly received attention in the literature on class analysis of the rural sector. It may be noted, however, that the problems of instability need not invalidate the analytical scheme of classification as such, but affects attempts to empirically identify actual households in terms of these classes.

We can similarly see two classes, from another point of view, based on the criteria of net marketable surplus. This is particularly relevant for a study of farmers' movements on price and related issues, for those having a marketable surplus to sell also have a direct stake in agricultural prices. However, quite a few farmers sell only to repurchase later. This is not necessarily on account of 'compulsory' involvement in the market (*a la* Krishna Bharadwaj)⁶ for meeting debt obligations, but also on account of economic calculations of relative profitability of crops within the possibilities of farmers. Thus, small farms growing superior grains such as paddy or wheat or commercial crops may sell them so as to maximise their power to purchase inferior foodgrains such as jowar, which they consume.⁷ It is possible, however, to take marketable surplus net of repurchase of agricultural commodities of any farmer, and place him in a class according to whether he has a positive surplus or deficit. In terms of their attitude to prices, we can also speak of antagonism of interests between the two classes, the former benefiting from high prices and the latter losing from the same.

However, such a contradiction could arise with respect to even a given farmer—he likes to have high prices for the cash crops he sells, but not for foodgrains he likes to purchase! There could be a sizeable class of cultivators—subject to variation—who are affected by this contradiction. They would be prepared to agitate for high prices of sugarcane and paddy they sell, but would remain

6. Cf. Krishna Bharadwaj, 'Towards a Macro-economic Framework for a Developing Economy: The Indian Case', *The Manchester School*, September 1979, esp. pp. 279-80.

7. For further discussion of this issue and evidence in India, see M.V. Nadkarni, *Marketable Surplus and Market Dependence in a Millet Region*, New Delhi, Allied, 1980, pp. 13, 30-32, 35, 88-90.

silent about ragi or jowar, or would ask the government to supply the latter through the public distribution system at low prices. Unfortunately, the contradiction is hardly resolved that way. Interestingly, quite a few of such farmers may have a net surplus in value terms in the sense that their receipts from sale of crops far exceed their expenditure on purchase of foodgrains. Others who make it even—their surplus and deficit being marginal—would fit into neither class firmly enough. We may note that in addition to this difficulty which comes in the way of a neat two-way classification of cultivators on the basis of marketable surplus, other difficulties mentioned with reference to employment can arise here also. In particular, farmers having a net surplus in one year may have a deficit next year.

However, irrespective of droughts and good years, there is a stable proportion of rural households consisting not only of landless labourers but also of poor peasants, who are chronically dependent on the market for their purchase of foodgrains and who have a stake in their prices being low. There is a strong positive correspondence between the classes in terms of employment status as explained above and the classes in terms of net surplus or deficit. Even if the actual proportion of these classes may not be stable over the years, one can expect that if the proportion of poor peasants and agricultural labour in terms of employment status increases in a given year, the proportion of deficit households also would increase in the same year. Similarly, there is a strong correspondence between the size of holdings and these classes, even after allowing for those in the unstable intermediate zone whose class position may shift from year to year. This intermediate zone also comprises intermediate holdings in the distribution of holdings according to size.⁸

Even the existence of this zone does not vitiate the fact that marketable surplus increases more than proportionately with the size of holding and output, particularly when considered in net terms. This means a concentration of marketable surplus in large holdings. Taking an average of three years the proportion of net marketed surplus to net available output of foodgrains increased

8. For a detailed review of the evidence of the positive relationship between size of holding and marketable surplus in India, see section 4 on Agrarian Structure and Marketable Surplus, *ibid.*, pp. 25-37.

steadily from *minus* 12.5 per cent in the lowest size-class of up to 2 hectares to 32.5 per cent in the highest size-class of above 15 hectares in Ahmednagar district of Maharashtra. The largest size-class controlled 55 per cent of the net marketed surplus of all farmers. The ratio of the percentage share of the size-classes in net marketed surplus over their share in land increased steadily with the size of holding, indicating the progression involved.⁹ This was by no means a unique phenomenon.

Taking such evidence into account, Prof V.K.R.V. Rao concluded that it is a minority of farmers who stand to benefit from rising agricultural prices and improvement in terms of trade, and significantly titled his concerned article as, 'How kulaks have ridden on the crest of inflation'.¹⁰ He also tried to estimate the magnitude of this minority class. On the conservative assumption that unirrigated holdings of above 10 acres and irrigated holdings of above 2.5 acres are the main contributors to marketed surplus,¹¹ he showed that as per the 1970-71 Census of Agricultural Holdings (CAH) only 29.5 per cent of wholly irrigated holdings (3.7 million out of 12.4 million) and 15 per cent of wholly unirrigated holdings (6.1 million out of 40.7 million) contributed to marketed surplus. Even by adding partly irrigated holdings with more than 2.5 acres also to the surplus contributing category, he found that only 21.4 per cent of all operation holdings could be said to be contributing to marketed surplus and the bulk, viz., 78.6 per cent of the holdings have no or negligible share in marketed output. He has conceded, however, that small farmers also grow non-food cash crops and to that extent have a stake in the prices of such crops. It can also be conceded that these proportions are no more than approximate indicators of the magnitude involved, subject to a margin of error. Nevertheless, his results show that there is considerable market dependence within agriculture, which would be even more in drought years. It may be noted that 1970-71 was a normal year, and the proportion of holdings with marketable surplus would be still less than 21.4 per cent in drought years.

It may further be noted that Rao spoke with reference to only

9. *Ibid.*, p. 79.

10. See V.K.R.V. Rao in *Capital*, December 3, 1979, pp. 3-8.

11. This assumption was made taking into account numerous studies on the relation between the size of holding and marketed surplus in different regions of India, both irrigated and unirrigated.

holdings, and as such excluded the landless labourers from his calculations since the CAH did not give such figures. If the market dependence of these households also is allowed, the households with marketable surplus as a proportion of all rural households would further fall significantly. According to the Rural Labour Enquiry Report of 1974-75, of the 82.1 million rural households, as many as 24.8 million were rural labour households (30.3 per cent), and of the latter 12.1 million (i.e., 14.7 per cent of the total rural households) had land but could not depend on cultivation as a principal source of livelihood.¹² Taking note of the fact that Rao's estimate of households with net marketable surplus would decline if calculated as a proportion of total rural households and even Rao's estimate for 1970-71 itself was only 21.4 per cent, we can see here that the rural labour households—about whose net market dependence there need be no doubt—constituted a larger proportion of rural households than those with net marketable surplus.

The intention here is not to suggest that since the surplus households happen to be a minor proportion, the price policy should be deliberately turned against them. It is only to suggest that they cannot represent the interests of the entire rural sector, nor can they claim to represent its voice. In fact, the deficit peasants and landless rural labour have a better claim in this respect.

What causes concern, however, is that contrary to what is expected in normal capitalist development of agriculture, the proportion of surplus holdings has been steadily declining. Table 2.1 here indicates this situation. It presents a few aspects of the agrarian structure, particularly the distribution of holdings as per size-class. Since irrigated and unirrigated holdings are clubbed together, marketable surplus could be taken to be coming on an average from holdings above 5 acres. Households with such holdings as a proportion of total rural households declined from 29.4 per cent in 1950-51 to 26.6 per cent in 1960-61 and again to 23.2 per cent in 1970-71; the proportion (percentage) of area under them declined from 84.4 to 80.0 and again to 76.9 respectively in the same years. This has reduced the base from

12. A household was classified as a rural labour household if wage-paid manual employment was its largest source of income during the year preceding the enquiry.

TABLE 2.1: Agrarian structure in India

		1953-54	1960-61	1970-71
Households:				
(1)	Non-cultivating	(a) 28.0	26.3	27.4
(2)	Cultivating less than 5 acres	(a) 42.6	47.5	49.3
		(b) 15.5	19.8	24.1
(3)	Cultivating 5-25 acres	(a) 25.4	23.3	21.0
		(b) 50.1	52.1	53.0
(4)	Cultivating above 25 acres	(a) 4.0	3.0	2.2
		(b) 34.4	28.1	23.9
Land in acres, average per rural household		4.6	4.5	4.0
cultivating household		7.5	6.5	5.5

(a) Share (%) of class in total number of rural households.

(b) Share (%) of the class in total operated area

Source: 8th, 17th and 26th Rounds of NSS.

which marketable surplus is generated. A firm or stable base of marketable surplus may be smaller still if the size-class with 5-25 acres is taken to belong to the intermediate unstable zone referred to above. It is actually the area under the stable zone that has suffered even more.

This is not a sign of healthy capitalist development. It involves both agriculture and industry. Following Lenin's well known analysis in *Development of Capitalism in Russia*, the process of capitalist development in agriculture includes not only concentration of land and other productive assets in the hands of capitalist farmers but also increased absorption of the released peasantry in non-agricultural sectors. In the process, there is a development of the home market involving breakdown of subsistence production, increasing the market involvement of all sections of the population, and a progressive release of more and more marketable surplus.¹³ This process, however, has not worked in India as expected in terms of Lenin's model, mainly because the expropriated peasants and rural labour released to market forces are still being tied down to agriculture without

13. V.I. Lenin, *Collected Works*, Moscow, Progress Publishers, Vol. III (1977 print), esp. pp. 67-68.

remunerative employment, and without adequate openings into the non-agricultural sector.

It is true that quite a few with rural origin have now been absorbed in the urban sector as noted in the last chapter. But this has not produced a sufficient impact on the distribution of workforce. With succeeding generations, even large holdings are forced to split since all the sons of cultivators cannot be absorbed by the urban labour market. The workforce dependent on agriculture, which was 70 per cent in 1951, declined only to 6.7 per cent in 1981. The development of the home market essentially involves a progressively increasing social division of labour which is not occurring in India.

This has produced a crisis of stagnant per capita productivity in Indian agriculture. The Net Domestic Product from agriculture per worker (taking cultivators and labourers together) at the 1970-71 prices only managed to remain constant in India between 1971 and 1981, being Rs.1,300 and Rs.1,296 respectively during the two years. In Karnataka it actually declined from Rs.1,666 to Rs.1,414 (at the 1970-71 prices) during the same period.¹⁴ (The decline in relative income in agriculture is further discussed in the next section). We can see another evidence of the decline in the per capita productivity as reflected in the declining average size of holding per cultivating household (see Table 2.1).

The decline in the base of the marketable surplus reflected in terms of the decline in the share of area under surplus generating households has rather dark portents for agricultural development, since marketable surplus is largely the source of investible surplus in agriculture. Moreover, if deficit households and labourers are forced to hang on to agriculture under condition of declining per capita productivity with succeeding generations, it may not take them long to seek patron-client relationships, and a reversal to feudalism under new conditions could very well begin. These are disturbing trends in the Indian agrarian structure.

The above discussion of the agrarian structure has been at the aggregative national level. It would be interesting to see how

14. In computing these figures, only the main workers were taken into account, ignoring 'non-workers' (of 1971) and 'marginal workers' (of 1981) with secondary work as cultivation or labour, in order that figures may be comparable. While NDP of India was for 1970-71 and 1980-81, SDP of Karnataka was for 1971-72 and 1981-82, since there was a drought in the State during 1980-81.

TABLE 2.2: Agrarian structure in Karnataka

Size-class (in acres)		India		Karnataka		Chickmagalur		Dharwad Dist.	
		1970-71	1976-77	1970-71	1976-77	1970-71	1976-77	1970-71	1976-77
		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Below 5	(a)	69.7	72.7	54.1	56.7	59.7	63.3	38.0	39.6
	(b)	26.2	23.6	15.6	17.2	22.0	22.6	9.4	11.3
(2) 5 to 25	(a)	26.4	24.3	39.7	38.0	36.9	33.7	53.0	53.0
	(b)	42.9	50.2	52.8	53.9	52.7	51.3	56.1	59.1
(3) 25 and above	(a)	3.9	3.0	6.2	5.2	3.4	3.1	9.1	7.4
	(b)	30.9	26.2	31.7	28.9	25.4	26.1	33.5	29.6
Average size of holding (acres)		5.7	5.0	8.0	7.3	6.8	6.3	10.5	9.8

		Hassan Dist.		Mandya Dist.*		Mysore Dist.		Shimoga Dist.*	
		1970-71 (10)	1976-77 (11)	1970-71 (12)	1976-77 (13)	1970-71 (14)	1976-77 (15)	1970-71 (16)	1976-77 (17)
(1) Below 5	(a)	65.0	68.4	55.1	59.9	70.3	72.8	33.5	35.3
	(b)	28.2	29.9	17.9	20.8	34.7	37.1	9.0	9.1
(2) 5 to 25	(a)	33.1	29.9	38.9	35.4	29.6	26.1	53.1	50.9
	(b)	57.0	55.2	64.7	54.7	56.2	54.1	47.5	45.8
(3) 25 and above	(a)	1.9	1.7	6.0	4.7	1.2	1.1	13.4	13.8
	(b)	14.8	14.9	27.5	24.5	9.1	8.8	43.5	45.0
Average size of holding (acres)		5.4	5.0	3.4	3.1	4.7	4.5	5.5	5.5

Source: Census of Agricultural Holdings, 1970-71 and 1976-77.

(a) Share (%) of the size-class in total *number*.

(b) Share (%) in total *area*.

*Since these are significantly irrigated, Shimoga also having heavy rainfall, the smallest size-class here is taken to be that below 2.5 acres, the medium from 2.5 to 10 acres, and the large above 10 acres.

Karnataka has fared, particularly in those districts where farmers' movements have been active. Table 2.2 presents this picture *vis-a-vis* India as derived from the CAHs for 1970-71 and 1976-77. The proportion of non-cultivating households is not available from this source, and hence the proportions in this table are to the total number of agricultural holdings. District-wise data are not available from the NSS, whereas they are available from the CAHs. The first size-class of holdings (below 5 acres) in the Table 2.2 indicates on an average those who do not have net marketable surplus. The next two size-classes, 5 to 25 acres and above 25 acres, are those that normally have marketable surplus on the whole. In two significantly irrigated districts, however viz., Mandya and Shimoga (the latter has also assured rainfall), we altered the size-classes to allow for the fact that even smaller holdings can have net marketable surplus there as indicated in the table.

Compared with the country as a whole, Karnataka has more area under surplus holdings, and the proportion of surplus holdings also is higher. This is particularly so in Shimoga district, which is the main base of the leading movement, and also in Dharwad which triggered the movements in Karnataka. But there is a large variation in these proportions even among those districts where farmers' movements took place.

Interestingly, the trend of a rise in the share of non-surplus holdings in area, observed from NSS rounds (as seen from Table 2.1), seems to have been reversed during the seventies, if Table 2.2 is any indication. But this may even be an illusory reversal, because, the area under holdings with 25 acres or more, which can be considered as a stable base of marketable surplus has actually continued to decline. In Karnataka, however, the earlier national pattern of increase in the area under small holdings has continued during the six years after 1970-71. It is only in Shimoga that the share in the area of surplus holdings *vis-a-vis* non-surplus holdings has remained constant.

The medium class with 5 to 25 acres which on the whole is relatively unstable in respect of marketable surplus over the years, as explained earlier, accounts for the bulk of the area as seen from both NSS Rounds and CAHs. It has also been improving its share, mainly at the expense of larger holdings, except in Shimoga. In other words, larger holdings are gradually being divided and are joining the ranks of medium holdings with succeeding generations. It is

very likely that these medium holdings also feel insecure on the ground that they too, with succeeding generations, would not be able to maintain the viability of their holdings, their sons having to continue to depend on agriculture. It is not surprising that one of the demands of farmers in Karnataka is to reserve 50 per cent of government jobs for their sons.

The prospects of the rural labour households are still worse, since they do not have much land—and most of them do not have any land—to serve as a source of minimum security. Their proportion in different States and changes therein from 1964-65 to 1974-75 can be seen from Table 2.3. It lists States in a descending order of the proportion of rural labour households as in 1974-75. Interestingly, the three States where farmers' movements have been active—Tamil Nadu, Maharashtra and Karnataka—have higher proportions of rural labour than in the country as a whole, both in 1964-65 and in 1974-75. Almost all the States have recorded an increase in this respect during this decade, except Orissa and Rajasthan which showed a decline and Kerala which showed no change in the proportion.

Another interesting fact coming out of the table is that the proportion of rural labour households with land increased in all the States, except in Punjab and Haryana (together), Bihar, and Rajasthan which recorded a marginal decline. Taking the country as a whole this proportion increased from 43.5 to 48.8 per cent, and in Karnataka from 35.0 to 44.7 per cent. This has not come about as the result of a decline in the number of landless labour households through securing land. Actually, there has been an increase in their number by 26 per cent in the country as a whole and by 19 per cent in Karnataka. But the number of rural labour households with land increased by 56 per cent in India and 78 per cent in Karnataka, which was very much more than the increase in the number of households without land. In contrast, the number of non-labour rural households increased by only 9 per cent in India and by 6 per cent in Karnataka in the whole decade. All this strongly suggests a marginalisation process operating, with cultivators on the margin turning into rural labourers. The increase in the proportion of rural labour with land is, therefore, no flattering sign—not a sign of social justice meted out to the landless but one of cultivators being converted into labourers still tied down to land. And this has occurred during the period from 1964-65 to 1974-75, a decade

TABLE 2.3: Rural labour household (Hhs) – 1964-65 and 1974-75

States*	Rural labour Hhs (in lakhs)		Percentage increase in the decade	As percentage of all rural Hhs		Proportion percentage rural labour Hhs with land	
	1964-65	1974-75		1964-65	1974-75	1964-65	1974-75
West Bengal	16.4	22.9	39.6	34.1	55.2	40.9	44.2
Tamil Nadu	18.9	27.9	47.6	30.5	44.3	30.6	35.4
Kerala	10.4	13.6	30.8	42.1	42.1	66.9	82.9
Andhra Pradesh	21.2	29.4	38.7	34.4	39.4	34.9	39.0
Maharashtra	16.9	22.3	32.0	34.0	36.7	30.8	46.3
Bihar	24.3	32.4	33.3	31.6	36.4	61.4	59.1
Karnataka	10.4	14.6	40.4	29.7	35.9	35.0	44.7
All-India	178.4	248.4	39.2	25.3	30.3	43.5	48.8
Gujarat	5.5	10.1	83.6	18.5	29.7	24.5	34.8
Orissa	9.9	15.2	53.5	28.4	25.8	54.6	62.2
Madhya Pradesh	13.4	14.6	9.0	22.4	24.0	45.1	53.5
Assam	2.7	4.8	56.2	14.3	22.2	43.4	54.8
Punjab and Haryana	4.6	6.9	50.0	17.3	21.6	12.6	11.5
Uttar Pradesh	20.5	28.9	41.0	16.0	19.1	51.9	53.9
Rajasthan	2.7	2.6	-3.7	7.6	6.6	53.9	53.1

* In descending order of the proportion of rural labour households in 1974-75.

Source: Rural Labour Enquiry Report, 1974-75. Mimeo, 1978, Part I.

marked by the 'Green Revolution' and favourable trends in relative prices for agriculture, as we shall see later.

We can now sum up the conclusions of this section. The agrarian structure shows some basic weaknesses. The proportion of households which generate marketable surplus is very small in the total, and though they control the bulk of the area, this area is steadily declining. The medium households which form the bulk of the surplus households and also of area, are not secure in terms of marketable surplus and probably even viability. Whereas the richer households may be able to diversify their economic activities, investing in trade and even to some extent in industry and having good urban contacts, the medium households are mostly tied to agriculture having a tremendous stake in it. The non-viable households and the rural labour households together actually form the bulk of the rural households and their proportion as also the area under them has been steadily increasing, thanks to the process of marginalisation.

AGRICULTURE IN NATIONAL ECONOMY

The weaknesses of the agrarian structure are reflected in its relative position in the national economy. In a growing economy which is undergoing industrialisation, income originating from agriculture grows at a slower rate than the total national income, and the share of the agricultural sector falls. If manpower is correspondingly released from agriculture for employment in the non-agricultural sector, the declining share of the agricultural sector need not result in a relative decline in the per worker income in the agricultural sector.

Unfortunately, things went wrong with our agricultural sector on more than one count. Let alone the relative growth or the share of agriculture in the total income, even the absolute growth rate declined in agriculture, which has compounded the declining trend in the share of agriculture. For quite some time, agriculture did fairly well indeed, particularly compared with its performance before Independence. As Dantwala noted, 'Green Revolution'—with all its drawbacks—at least falsified the foreign experts who prophesied gloom and advised aid-giving countries to follow the triage policy for India.¹⁵ But the restricted base of the

15. Cf. M.L. Dantwala, 'From Stagnation to Growth', in *Indian Economic Journal*, Vol. 18(2), October-December 1970.

Green Revolution in the sixties could not have significantly lifted the growth of the agricultural sector as a whole, and remained below the growth of total national income. In Karnataka, the rate of growth of agriculture in the sixties was fairly high (4% p.a.) which was also close to that of the total State domestic product, as can be seen from Table 2.4. Though the base of the HYVs as well as irrigation was further extended during the seventies, the rate of growth of agriculture declined in Karnataka. The record after 1978-79 was even more dismal both in the State and in the country as a whole. As can be seen from the table, for four years till 1982-83 there were marked fluctuations which had their impact on the non-agricultural sector too. Taking the period of 4 years together, Karnataka agriculture fared much worse than the State economy as a whole and worse than the national agriculture.

Normally, when droughts occur, agricultural prices rise and this should benefit farmers. Unfortunately for the farmers, the stagnation in real income per worker during the seventies was hardly compensated by the rise in monetary incomes *vis-a-vis* the non-agricultural sector. It is not surprising, therefore, that the discontent and the sense of exasperation among farmers became conspicuous after 1978-79.

The objective basis for this discontent can be seen from Table 2.5. The approach of V.K.R.V. Rao in his analysis of sectoral

TABLE 2.4: Compound growth in national income—agricultural and total, at constant prices (per cent per annum)

Period	India		Karnataka	
	Agricultural	Total	Agricultural	Total
1960-61 to 1970-71	2.2	3.5	4.0	4.2
1970-71 to 1978-79	3.3	3.6	2.2	2.7
1978-79 to 1979-80	-13.4	-5.4	-5.7	-1.8
1979-80 to 1980-81	13.0	7.7	-11.6	-33.6
1980-81 to 1981-82	3.4	4.9	13.2	9.0
1981-82 to 1982-83	-3.5	1.7	7.2	-0.2
1978-79 to 1982-83	-0.4	2.1	-7.5	0.8

Note: Derived from National Accounts and State Domestic Product Statistics between terminal years (not through regression).

TABLE 2.5: Relative income of agricultural workers

Year	Share (%) of agriculture in			Ratio of per worker income in agriculture to non-agricultural sector at	
	income at 1970-71 prices	income at current prices	work-force	1970-71 prices	current prices
	<i>INDIA</i>				
1960-61	54.2	49.6	69.5	0.518(100)	0.431(100)
1970-71	47.8	47.8	69.8	0.397(77)	0.397(92)
1980-81	40.1	36.4	66.7	0.332(64)	0.286(66)
	<i>KARNATAKA</i>				
1960-61	58.0	57.0	67.8	0.641(100)	0.629(100)
1970-71	56.5	56.5	66.6	0.649(101)	0.649(103)
1981-82	49.3	44.1	65.1	0.521(81)	0.422(67)

Note: Shares of only agriculture are presented. The remaining percentage is of non-agricultural sectors together. Figures in brackets are index numbers with 1960-61 as the base.

Source: CSO's National Accounts Statistics and SDP Data from the Directorate of Economics & Statistics, Karnataka.

share is followed here as well.¹⁶ However, instead of analysing the sectoral shares in terms of either constant prices or current prices, it is useful to do so at both prices. Table 2.5, therefore, presents the share of agricultural and non-agricultural sectors in national income both at constant and current prices, and also in workforce. Further, to bring the relative disparity between the sectoral incomes and trends therein to clear light, the table also presents the ratios of per worker income in the agricultural sector to that in the non-agricultural sector¹⁷ during the census year, at both current and constant prices. In addition to the picture at the national level, the situation in Karnataka also can be discerned from both the tables. The SDP series at constant prices were available for Karnataka in terms of both the 1960-61 prices and the 1970-71 prices, with a few overlapping years which included 1970-71. This

16. V.K.R.V. Rao, *India's National Income 1950-80*, New Delhi, Sage, Chapter 4.

17. This was suggested by V.M. Dandekar while reviewing Rao's book. See his 'Economic Growth and Change in India as seen through National Income Data', *EPW*, Vol. 18(24), 11 June 1983, p. 1051.

enabled conversion of SDP in 1960-61 at the 1970-71 prices. Both the national and the State income series at constant prices, used here, are in terms of the 1970-71 prices.

We can see from Table 2.5 that the share of agriculture in the national/State income has declined significantly in terms of both constant and current prices, both in India and in Karnataka, but the decline in its share of workforce has been marginal. The outcome of these disparate trends is seen in the ratios of per worker income in the agricultural sector to the non-agricultural sector. In terms of constant prices, the relative income per worker in agriculture which was only a little above half of that in the non-agricultural sector in 1961, declined to one-third by 1981. In Karnataka, the disparity in relative real income had been lower, considering the ratio of 0.641 (as against the country's 0.518) in 1961. However, the disparity increased here too, though less than in the country as a whole.

The relative income per agricultural worker at current prices which shows the relative purchasing power per worker *vis-à-vis* non-agricultural worker, declined even more than the relative real income in the seventies. The ratio at constant prices declined from 0.649 to 0.521 in Karnataka, but at current prices it declined from 0.649 to 0.422 during the period from 1971 to 1981. In the country as a whole, the ratio declined from 0.397 to 0.332 at constant prices, and from 0.397 to 0.286 at current prices during the same period. However, the disparity is still smaller now in Karnataka as compared with the country as a whole.

The important point which arises is that during the seventies at least, both in India and in Karnataka, the agricultural sector came out worse off in terms of prices, as they did not offset the decline in the relative real income but actually further added to it. This took place not between 1961 and 1971 but only between 1971 and 1981. In the sixties, the prices actually acted to offset the decline in the real relative income. In Karnataka, even the real relative income per agricultural worker had increased somewhat in the sixties, and the relative prices added to this increase. In the seventies, when the real relative income declined, the relative prices added to this further. It is possible that agriculture has again turned from this slide-down after 1981-82. It was not only the relative prices that turned again in favour of agriculture, but the output also had shown a record performance in 1983-84. However, it is doubtful if the long-term trend of a fall in the relative real income has been reversed on an

enduring basis.

We referred above to 'agricultural workers'—a category which comprises both cultivators and labourers. It would be interesting to see how the share of these two classes of agricultural workers moved in the course of the changes discussed above. The National Accounts Statistics present factor shares in NDP at current prices sector-wise. Though employees compensation can be distinguished from other shares like interest, rent and profits, all these are mixed together in the income of cultivators. The mixed income of the self-employed in agriculture, which is shown separately in the National Accounts, can therefore be considered to be those of cultivators. Table 2.6 here presents the factor shares—(a) employee compensation, (b) interest, rent and profits, and (c) mixed income of the self-employed—in NDP at current prices from agriculture during 1960-61 and 1970-71 as per the old series and during 1970-71, 1980-81 and 1981-82 as per the new series of National Accounts. The data given in the table relate to the country as a whole, similar data not being available for Karnataka.

We find from Table 2.6 that while the share of cultivators increased a little in the sixties, it declined in the seventies. On the other hand, in the decade when prices were favourable to agriculture, the share of employee compensation declined; it increased in the seventies when prices were relatively unfavourable. It appeared as if the relative agricultural prices had a negative impact on labour's share in value added in agriculture. This is plausible because of a certain rigidity in the wage levels,

TABLE 2.6: Factor shares (%) in NDP from agriculture at current prices in India.

Percentage share of	Under old series		Under new series		
	1960-61	1970-71	1970-71	1980-81	1981-82
Compensation of employees	25.9	24.1	21.6	22.9	23.2
Interest, rent, profits and dividends	6.6	6.5	5.6	6.6	7.1
Mixed income of the self-employed	67.5	69.4	72.8	70.5	69.7
	100	100	100	100	100

Source: CSO's National Accounts Statistics, Factor Income by Sectors, 1976 and 1984.

irrespective of whether the relative prices increase or decrease. Possibly there is such rigidity in interest and rent too, as a result of which their share has also increased after 1970-71, in spite of the relatively unfavourable prices of agriculture. These, however, are shares within agriculture. The change in these shares has been much less conspicuous than in the share of agriculture itself in total NDP during the seventies. The share of both agricultural labour and cultivators in total NDP has, therefore, declined. Thus, between 1970-71 and 1980-81, the share of employee compensation in agriculture as percentage of total NDP declined from 10.2 to 8.4, while that of mixed income of the self-employed declined from 34.5 to 25.8. They declined further to 8.0 and 23.9 per cent respectively in 1981-82. The share of interest, rent, etc. in agriculture as percentage of total NDP remained relatively stable during the period, being 2.7 in 1970-71 and 2.4 in both 1980-81 and 1981-82.

This outcome of the declining share of cultivators could have been moderated a little had the total NDP from agriculture shown a significant growth instead of stagnation. One could even argue that even if the non-agricultural sector cannot increasingly absorb the workforce from agriculture, there is still some scope in agriculture for increasing the per hectare productivity and thereby for averting a decline in the per capita productivity. There is enough evidence, however, to indicate that the land-augmenting HYV technology at least after some time has to go together with a labour-saving technology too, which ensures an increase in the per capita productivity on a more secure basis. If this is not possible, limits would be felt soon on the extension of the land-augmenting technology itself. Thus, the introduction of short-duration high yielding varieties makes double cropping feasible, but may necessitate some degree of mechanisation to finish harvesting of the first crop and sowing for the next crop within a short time, as pointed out by Hanumantha Rao. In fact, he has explained the trend towards mechanisation mainly in terms of this factor.¹⁸ Such mechanisation either makes a part of the workforce redundant in agriculture, or itself becomes limited by the non-availability of remunerative openings outside agriculture for such labour. It may be added that a mechanisation which merely displaces labour may

18. C.H. Hanumantha Rao, *Technological Change and Distribution of Gains in Indian Agriculture*, 1975.

raise the per capita productivity of the concerned farms, but not of the agricultural sector as such if the displaced labourers have to hang on to agriculture with less and less employment.

Due partly to the compulsions of this technological factor and partly to the compulsions to step up productivity, the integration of agriculture with the rest of the economy has been proceeding fast enough, though the workforce dependent on agriculture is not declining equally fast. If a decline in the relative money income per worker takes place in this context, it is not nominal loss, but a loss of purchasing power real enough. A conspicuous evidence of agriculture's integration with the larger economy is the increasing use of industrial inputs in agriculture and monetisation of even traditional inputs. This has affected not only big farmers, but also small farmers, if not to the same extent. This was associated particularly with the introduction of HYVs in the mid-sixties. The area under HYVs, in million hectares, increased from 2 in 1966-67 to 15 in 1970-71, 43 in 1980-81 and 48 in 1982-83. Though most of it was initially under wheat and then paddy, rainfed crops like jowar, bajra and ragi are also now coming under HYVs. Jowar and bajra together accounted for only 3 million hectares under HYV in 1970-71, but in 1982-83 the area increased to 9 million hectares.

The growth in the consumption of fertilisers has been one of the most conspicuous developments in Indian agriculture though it also tended to taper off a little after 1978-79, thanks to a sharp increase in fertiliser prices and unstable weather conditions. The total consumption of chemical fertilisers, in million tonnes, was a mere 0.07 in 1951-52, confined perhaps mostly to tea and coffee estates, which increased to 0.8 in 1965-66, 2.3 in 1970-71, 5.1 in 1978-79, 5.3 in 1979-80, 5.5 in 1980-81, 6.1 in 1981-82, and 6.4 in 1982-83. Interestingly, though the drought reduced the agricultural output in 1979-80, there was no decline but a slight increase in fertiliser consumption in the year — a behaviour which was repeated in 1982-83 another drought year. Though it is consumed mostly under irrigated conditions, their use in rainfed agriculture is also now increasing. As Hanumantha Rao has remarked, this may have made fertiliser consumption more responsive to rainfall variations in addition to the sensitivity of

irrigation itself to rainfall.¹⁹ Apart from the wide regional variations in the consumption of fertilisers—the central and eastern regions having low consumption—it varies also across the size-classes of holdings. Rao has, in this respect, pointed to a paradox of the tendency of fertiliser consumption to vary positively with the size of a holding in terms of consumption per hectare of cultivated area, but negatively in terms of per hectare of fertilised area. The latter should not mislead one to believe that small farmers use more fertilisers than large farmers. Observing lower cropping intensity among large farmers, which saves labour, he has remarked significantly: “There is, thus, indication that large farmers are trying to economise on labour costs but are stepping up fertiliser use by opting for a land use and cropping pattern which absorbs more fertilisers per cropped hectare and thus maximise output per hectare and per unit of labour.”²⁰

However, fertiliser use in India at present is among the lowest in the world in spite of all this increase. The consumption of total NPK per hectare of agricultural land was a mere 28 kg in India in 1979-80 as against 40 in China, 42 in Bangladesh and Pakistan, 48 in the USA, 212 in Egypt, and 428 in Japan.²¹ Obviously, there is scope to increase production through greater fertiliser use.

The increase in the use of modern capital inputs has also been quite impressive. The number of electric pumpsets, for example, increased from a mere 21 thousand in 1950-51 to 200 thousand in 1960-61 and sharply to 4 million in 1979-80. The number of diesel pumpsets increased from 56 thousand to 230 thousand and then to 2.6 million during the same years. In 1961-62, India produced 880 tractors and imported 3 thousand. The production increased to 18 thousand by 1971-72 and 81.5 thousand by 1981-82. Imports also increased to 20 thousand in 1971-72 but declined sharply to a mere 61 in 1977-78 after which they were stopped. The use of power tillers was insignificant before 1971-72. In this year, India produced 1,081 of them and imported 1,583. By 1975-76 imports were stopped and indigenous production increased to 2,540. Production of power tillers has been stagnant since then. Their use

19. C.H. Hanumantha Rao, 'Consumption of Fertilisers in Indian Agriculture: Emerging Trends and Policy Issues', Lal Bahadur Shastri Memorial Lecture, February 1983. IARI, New Delhi.

20. *Ibid.*, p. 14.

21. See *Indian Agriculture in Brief*, 19th Edition, p. 357.

is much less popular than the use of tractors. There has been considerable variation among the States in the use of modern inputs, as can be seen from Table 2.7. However, almost all States have recorded a significant increase in their use in the seventies.

The increasing role of modern inputs can be appreciated better when viewed in terms of their proportion to total inputs used in agriculture. V.K.R.V. Rao's study shows that the share of industrial inputs in agriculture increased from a mere 1.41 per cent in 1951-52 to only 3.97 per cent in 1960-61, 9.34 per cent in 1965-66, and 20.49 per cent in 1970-71.²² One may gain further insights if one views the changes in the proportion of industrial inputs in terms of both current and constant prices, and sees what association they have with the input-output relationship in Indian agriculture. Further, it would be instructive to separately see the role of government inputs—irrigation, market and electricity charges, which have also played an important modernising role. The change in the role of modern inputs during the seventies can provide insights into the problems faced by farmers and the resultant discontent among them. This can be seen from Table 2.8.

The proportion of industrial inputs, viz., chemical fertilisers, pesticides and insecticides, and diesel oil, among total inputs used in agriculture, steadily increased from 14.9 per cent in 1970-71 to 41.9 per cent in 1981-82 in terms of current prices, and from 14.9 to 33.0 per cent in terms of constant (1970-71) prices during the same years. It may be noted that in spite of the sharp jump in petroleum prices in 1974, the use of industrial inputs even in real terms did not decline but continued to increase. Even the drought of 1972-73 and 1979-80 did not reduce their proportion either in real terms or in money terms. The increase in their proportion in money terms has been significantly more than in real terms, the divergence being sharp in both 1975-76 and 1980-81, following a hike in prices of oil and fertilisers.

In contrast, modern inputs provided by the government remained stable at around 5 per cent in terms of current prices, but actually increased during the period from 5.1 per cent to 7.7 per cent in terms of the 1970-71 prices. The relative prices of government inputs have actually declined, and have exercised a stabilising influence on the costs in agriculture. Paradoxically, the

22. V.K.R.V. Rao (1983), *op. cit.*, p. 51.

TABLE 2.7: Modern inputs in agriculture—State-wise

State	Fertiliser (NPK) consumption per hectare of gross cropped area (in kgs)		Electric pumpsets installed up to (in '000)		Diesel pumpsets installed up to (in '000)		Tractors stock (in '000)	
	1971-72	1980-81	1968-69	1979-80	1968-69	1979-80	1966	1977
Andhra Pradesh	23.5	45.9	123	413	38	142	2.9	11
Assam	2.8	2.8	negl.	3	0.2	0.6	0.8	1
Bihar	10.1	17.7	50	156	38	128	2.1	10
Gujarat	17.4	34.5	42	203	215	563	3.2	11
Haryana	16.3	42.5	45	196	2.6	68	4.8	34
Jammu & Kashmir	6.1	21.4	0.2	1.6	negl.	0.5	0.1	1
Karnataka	15.2	31.2	92	292	31	48	2.6	8
Kerala	22.0	33.4	14	77	5	27	0.4	2
Madhya Pradesh	5.9	9.2	25	278	25	88	2.5	15
Maharashtra	13.3	21.2	125	587	128	213	3.3	12
Orissa	7.2	9.6	0.5	14.2	5	9	0.7	2
Punjab	50.6	117.9	59	270	29	263	11	57
Rajasthan	3.5	8.0	18	181	18	56	4.2	25
Tamil Nadu	45.3	63.2	410	881	67	113	3.3	7
Uttar Pradesh	20.1	49.3	76	358	85	831	10	71
West Bengal	13.1	35.9	1.2	28	35	88	1.5	1
All-India	16.1	32.0	1,090	3,950	720	2,650	54	270

Source: *Indian Agriculture in Brief*, 11th and 19th Editions.

TABLE 2.8 : Modern inputs in Indian agriculture in relation to total inputs and output

Year	Gross ¹ output at 1970-71 prices in billion Rs.	Industrial inputs ² as percentage of total inputs at		Govt. inputs ³ as percentage of total inputs at		Total inputs as percentage of output at	
		current prices	1970-71 prices	current prices	1970-71 prices	current prices	1970-71 prices
1970-71	207.3	14.9	14.9	5.1	5.1	19.7	19.7
1971-72	208.0	17.3	18.0	4.9	4.9	20.8	20.6
1972-73	196.9	18.2	20.1	5.1	5.4	21.1	21.7
1975-76	232.1	29.3	22.2	5.8	7.2	22.9	20.8
1978-79	251.2	31.1	27.6	5.5	7.6	24.3	21.9
1979-80	226.4	32.6	30.3	5.1	7.3	26.0	24.9
1980-81	251.3	37.2	31.6	4.5	7.5	26.9	23.3
1981-82	260.5	41.9	33.0	4.2	7.7	28.6	23.6

Notes:

1. Including livestock.
2. Include chemical fertilisers, pesticides and insecticides and diesel oil.
3. Include irrigation charges, market charges and electricity.

Source: CSO's *National Accounts Statistics*, 1980, 1982 and 1984.

wrath of farmers was directed mainly against the government on account of electricity dues both in Tamil Nadu and, more recently, in the Punjab.

Though the role of government inputs looks comparatively small considering the proportion of electricity, irrigation and market charges among total inputs, the government has also been playing an additional role, through the supply of institutional credit for purchase of inputs at a rate of interest much lower than the market rate charged by money-lenders. The massive institutional intervention in this respect has cornered the professional money-lenders and has increased the role of institutional credit in rural credit. In the decade since the nationalisation of commercial banks, the total institutional credit outstanding increased from Rs.1,075 crores in June 1969 to Rs.6,325 in June 1980.²³ There is an immense hunger for rural credit yet to be satisfied. The institutional credit played an important role in increasing the use of modern industrial inputs in agriculture, in spite of their rising costs. As such one might wonder who between the two was the chief beneficiary of this credit—the input user or the input producer. Or, more probably, it is a false contradiction so long as the supply of credit is easy and defaulting on repayment no less so.²⁴

An important fact coming out of Table 2.8 which has a bearing on the economics of modern—particularly industrial—inputs, is that total inputs as percentage of agricultural output have increased both in money and in real terms during the decade—from 19.7 to 25.9 in the former case, and from 19.7 to 23.0 in the latter case. The output of course increased in real terms during the decade by a little over 21 per cent, but this growth was achieved at increasing costs even in real terms. This continues to be the case even if the changes between 1970-71 and 1978-79—two good years—or between 1972-73 and 1979-80—two drought years—are observed. 'Technological change' is normally defined in terms of an upward shift in production function involving no increase in costs. Actual experience does not show that technological change in Indian agriculture has been achieved with constant costs. It should be

23. CRAFTICARD Report, Reserve Bank of India, 1981, p. 37.

24. The proportion of overdues to loans outstanding in the case of primary agricultural credit cooperative societies increased from 20 per cent in 1961 to 41 per cent in 1971 and 45 per cent in 1978. (Cf. *Indian Agriculture in Brief*, 19th Edition, p. 71; also CRAFTICARD, *op. cit.*, p. 488.)

appreciated, however, that even an increase in per unit costs and a resultant decline in the rate of return need not deter technological change if it increases the per hectare productivity significantly. This is because it enables a farmer to make more profits per hectare in *absolute* terms, which indeed is his economic objective and not the maximisation of *rate of return* over costs in proportionate terms. Even the costs of technological change can be kept down by improving the skills with which modern inputs are used, instead of focussing only on the supply of inputs. Skills are as much a part of technological change for increasing output as inputs, a point which has long since been emphasised by T.W. Schultz. Moreover, the adoption of modern inputs should not be offset by a neglect of the traditional practices to maintain soil health.

The increase in costs in real terms has been, unfortunately, further compounded by the increase in costs in money terms. Of the total increase during the period between 1970-71 and 1981-82 in the proportion of money costs to output (*viz.*, 8.9 percentage points), 44 per cent (3.9 percentage points) was contributed by an increase in real costs and the rest by an increase in the relative prices of inputs. The former increase has been due to stagnation in output. It cannot be blamed on weather alone as it is in no small measure due to deficient skills. The spread of skills should have been emphasised more than inputs, but an easy solution was sought by reducing fertiliser prices, during the period between 1976-77 and 1979-80. This reduction only served to make the subsequent increase very sharp. It was an increase for the second time after the early seventies. Though it was under international compulsions that the fertiliser prices had to be increased, it could not have had a more *unfortunate timing*. It made the situation ripe for wide-spread discontent, particularly in areas which were commercialised with highly monetised inputs. We should note that even non-industrial inputs have been fast monetised in the last three decades, and many inputs such as farm yard manure which were almost a free good in the early fifties ceased to be so before long.

The Karnataka picture, in these respects, is presented in Table 2.9. Sericulture has of late become an important component in Karnataka agriculture, and has therefore been excluded from the computations here so that they may be free from possible distortions of trends. It may also be noted that in Karnataka 1980-81 was a drought year, but not 1979-80. An important

TABLE 2.9: Modern inputs in Karnataka agriculture

Year	Gross ¹ output at 1970-71 prices (in billion Rs.)	Industrial inputs ² as percentage of total inputs at		Govt. inputs ³ as percentage of total inputs at		Total inputs as percentage of output at	
		Current prices	1970-71 prices	Current prices	1970-71 prices	current prices	1970-71 prices
1970-71	12.42	9.6	9.6	3.4	3.4	20.5	20.5
1971-72	12.45	11.2	11.3	3.3	3.2	22.2	21.6
1972-73	11.08	15.1	15.7	3.4	3.5	23.3	23.7
1975-76	13.96	23.0	16.3	4.6	5.5	24.1	20.7
1978-79	14.53	24.7	21.5	4.8	5.6	24.6	20.2
1979-80	14.85	26.4	24.9	5.1	5.6	22.4	20.1
1980-81	14.00	30.4	25.1	4.4	5.6	22.9	21.8

Notes as in Table 2.8. Sericulture is excluded from both output and inputs.

Source: SDP Disaggregated Data (unpublished), by courtesy, Directorate of Economics and Statistics, Karnataka.

difference between the State agriculture and the national agriculture is that the input/output ratios are relatively stable in the former and have not shown an increasing trend. The State, however, has followed the national trend in respect of the proportion of modern—particularly, industrial—inputs. In 1970-71, modern inputs played a relatively smaller role in the State, but they are fast catching up with the national level in this respect. Though the proportion has increased more in terms of current prices, the disparity between the two sets of valuations is somewhat less in the State. However, increased sensitivity to prices on account of modernisation and monetisation of inputs is fully shared by the State.

The transitional fix

Actually the deterioration in the cost position of agriculture has not been captured adequately by Tables 2.8 and 2.9. What lies behind this is not so much the question of relative prices, as that of monetisation and commercialisation of inputs. If monetisation is interpreted as merely the replacement of barter economy by exchange economy, the process has involved something more than that. It has involved the conversion of what was hitherto a free good into a commodity for purchase and sale. A process of commercialisation has an inherent tendency to convert what was hitherto viable into non-viable for many. If, for example, housewives' services are so commoditised, only millionaires can afford to marry and have a wife. The situation in Indian agriculture is paradoxical because, though commercialisation of inputs tends to make more and more holdings non-viable, they have nowhere else to go and are forced to continue with them.

The primary factor behind commercialisation of inputs does not appear to be the success of capitalist development in producing cheap goods. Though this too plays its due role, it is of a secondary nature. If this were to be the primary factor, it would have been welcome, as when a housewife gets here wheat floured through a mill instead of grinding it herself. Commercialisation of inputs has, however, occurred more because of the depletion of common property resources. When community management to take care of regeneration of resources failed, and government management of these resources made the situation even worse, the resources

themselves got depleted. When the village woodlots, which were a source of fodder and green manure, vanished, it would have raised the cost of agriculture too significantly to be captured by any index numbers of relative prices or terms of trade. If people decimated these woodlots in short-run interests, the government in its best behaviour raised casuarina or eucalyptus and, in its worst, nothing.

In a way, even the breakdown of feudalism and its patron-client relationship has increased the labour cost in agriculture, more than what is indicated by the trends in the wage rates. A bonded labour worked for a pittance to serve his master all his life. The cost of his labour was practically nil to such a master, who could perhaps 'look after' his labourers with used clothes and left-over food. But if this master has to hire labour instead, his costs would be incomparably high. The outcome would be similar when a tenant ceases to render free service. Indian agriculture has been caught in many areas in this transitional fix, neither going over into full-scale capitalism of large holdings nor having the previous access to cheap inputs.

Another dimension of this transitional fix is that while commercialisation of inputs proceeded fast, commercialisation of output could not keep pace with it. Thamarajakshi's updated study showed that during the period 1951-52 to 1973-74, agricultural output increased at the rate of 2.53 per cent per annum while marketed surplus increased at a slightly higher rate of 3.11 per cent per annum.²⁵ Another study for the period 1964-65 to 1973-74, following the same methodology, showed that while agricultural output increased at the rate of 1.5 per cent per annum, marketed surplus increased only at the rate of 1.7 per cent.²⁶ Though marketable surplus has increased at a little higher rate than output, and thus the proportion of output sold has tended to increase somewhat, it has increased at a much slower rate than the proportion of industrial inputs or of monetised inputs. The implication of this is a resource squeeze in agriculture. Whereas the need for resources to purchase these inputs has been increasing, the marketable surplus

25. R. Thamarajakshi, 'Role of Price Incentives in Stimulating Agricultural Production in a Developing Economy's in Douglas Ensminger (ed.), *Food Enough or Starvation for Millions*, Tata McGraw Hill, New Delhi, 1977, p. 379.

26. L.S. Venkataramanan and M. Prahladachar, 'Intersectoral Terms of Trade and Marketed Surplus of Agriculture: 1964-65 to 1973-74', (Mimeo) paper presented at the Indo-Hungarian Economists' Seminar, Lonawala, Feb. 1979.

has been increasing at too slow a rate to meet this need. It is not surprising that repayment of loans is such a problem in Indian agriculture and emerged as a major issue in farmers' movements in Tamil Nadu and Karnataka. The moot point is whether the price policy can resolve this problem, since it is a problem of viability arising out of non-price factors.

The tendency of the farm size to decline and the proportion of small holdings to increase has also an implication for costs, which would then increase not necessarily because of an increase in the prices of inputs but because of the increasing proportion of over heads in the face of the declining output per holding. Not only the cost of family labour, but also that of farm machinery and bullock labour would have to be met from smaller and smaller output. Even as it is, there is evidence to suggest that a "large number of farms, specially small farms, are forced to maintain more bullocks than is warranted by their own requirements of draught power . . . The indivisibility effect is enhanced by tractors. . .".²⁷

In any case, we clearly see Indian agriculture being caught up in several contradictions. The long-term decline in the relative income per worker in agriculture, which is a reflection of these contradictions, was further compounded by adverse relative prices in the seventies, instead of being offset by the same. In terms of relative purchasing power too, agricultural workers suffered—both cultivators and labourers. Yet, basically, the problem was not one of merely relative prices. Even if they again turned in favour of agriculture, as they seem to have done after 1981-82, the basic crisis remains unresolved. And that is the crisis of commercialisation of agriculture caught up in a stunted capitalist development of the larger economy. In such circumstances it should be a surprise if farmers do not protest, not necessarily because they are the most vulnerable or the most to suffer in agriculture, but because they feel, that, unless they protest, they too would join the ranks of the most vulnerable.

27. Cf. R.K. Sharma, 'Draught Power Planning in Indian Agriculture—A Case Study of Haryana', Ph.D. thesis, University of Delhi, February 1981, p. 229.

CHAPTER 3

The Course of the Movements—Tamil Nadu, Maharashtra and Punjab

AT THE NATIONAL LEVEL

Farmers' movements on price issues have so far taken place essentially at the regional level. There have of course been active farm lobbies at the Centre on price issues operating mainly through political parties. Price issues from the point of view of securing reasonable prices for farmers and protecting them from a price crash, did not receive much official attention for a long time, as it was more concerned with the almost continuous inflationary conditions ever since the Second World War. However, the Agricultural Prices Commission was set up in 1964 to recommend support and procurement prices which were to be fair to farmers as well as to consumers. The price issues came to the fore again only in the late seventies. Both the Communist parties, the CPI and the CPI-M, which have their separate Kisan Sabhas (Peasant Forums), took up the price-related issues in support of the farmers¹ during this period. Every political party has its own farmers' organisation, which intends to promote the cause of farmers.

There was a growing fear that the Congress led by Indira Gandhi was so much under the influence of industrial capital that it cared more for the furtherance of capitalist development than for the interests of farmers. The legislation for ceilings on agricultural holdings, without a corresponding enthusiasm to limit urban property or salary and perquisites of executives in industry, has

1. See Indradeep Sinha, *The Changing Agrarian Scene*, People's Publishing House, New Delhi, 1980, which was presented earlier as General Secretary's Report at the 22nd National Conference of the All India Kisan Sabha (AIKS) led by CPI at Vijayawada, June 1979; also see *New Peasant Upsurge: Reasons and Remedies* in Documents and Resolutions at the AIKC meeting (under CPI-M) at Trichur, December 1980, published by AIKC, New Delhi, 1981.

been cited by many as an instance of such bias. Some of the opposition parties grew in strength mainly by exploiting this fear. After they merged into a single new party—and came to power at the Centre in 1977, the internal tussle among them could again be due to the fact that (apart from personal ambitions) the group led by Charan Singh felt that the interests of the peasantry were being ignored by others. Raj Narain organised a big Kisan rally on Singh's birthday in 1978 as a show of the strength of farmers (and of Singh too). There were of course a few concerted attempts on the part of the Janata government during 1977-80 to shun big industries and big technology and nurture and develop agriculture, small industries, and an appropriate technology. However, except for some attempts to reduce the prices of some farm inputs such as fertilisers during the period between 1977 and 1979, nothing much happened.

The Congress(I) meanwhile started consolidating its position among the farmers' lobbies. After it came again into power, it organised a big rally on February 16, 1981 to show that kisans were really with the Congress(I). The opposition parties were also bent on proving that they were more pro-farmer than the Congress. They, inclusive of the left parties, organised a counter rally on a massive scale on 26 March 1981, that is, shortly after the Congress rally. It made specific demands including remunerative prices and guaranteed supply of inputs at fair prices to farmers, higher minimum wages and house sites for rural labour, food-for-work programme, debt relief and public distribution of essential goods in rural areas.

Apparently, there is no political party which does not espouse the cause of farmers. Some of the clear results of the impact of farmers' lobby were: appointment of a farmers' representative on the Agricultural Prices Commission (APC), broadening of the concept of cost of cultivation to make it more comprehensive, and specific instructions to the APC to take into account the movements in terms of trade before announcing procurement and support prices.

It must be noted, however, that the spur to farmers' lobby at the national level came mainly from the regional pressures and movements. At the regional levels, there was a growing frustration among farmers about the political parties, and non-party movements in regional contexts came to dominate the political scene in some States.

AT REGIONAL LEVELS

Tamil Nadu

The farmers' movements on the new issues, particularly on non-party lines, can be said to have originated from Tamil Nadu. Farmers' movements acquired an identity distinct from tenants' movements quite early after independence. They began first in Tanjavur district, an account of which has been presented by Alexander.² The rich farmers and landowners of Tanjavur had to be constantly on the defensive against tenant movements organised by the communists, and found that no political party dared openly to take up their cause. So they felt it necessary to organise themselves against the assertive moves of the weaker sections—first the tenants and then the agricultural labour. An association was formed in 1949 by a leading farmer, Rajagopala Naidu. The association "gradually died out after the suppression of the CPI", but was resurrected in 1964 under a new name mainly to tackle the strikes by labourers for higher wages.³ After a lull, it became active again after 1975. Its objective included opposition to land legislation which adversely affected landowners, fixation of procurement prices only in consultation with farmers, extension of the privileges that were provided to backward castes to farmers as well, and sponsoring of farmers' candidates in elections.

There were other associations too with similar objectives even before Independence, divided on the basis of caste affiliations. Brahmin landowners, upper caste non-brahmins and other middle castes had their own associations. However, Alexander has remarked, "The Brahmins' declining control over land on the one hand, and the increasing activities of labour union on the other, have brought about a certain amount of cooperation among the farmers and enabled them, in spite of their caste division, to jointly face labourers. The initiative for organising associations came mainly from large farmers. However, strikes and other activities conducted by the labour . . . brought together small and large farmers."⁴

2. K.C. Alexander, *Peasant Organisations in South India*, Indian Social Institute, New Delhi, 1981, Chapter 5.

3. *Ibid.*, p. 122.

4. *Ibid.*, p. 137.

Coimbatore is another district in the State⁵ which developed a base for farmers' movements. Both Tanjavur and Coimbatore are significantly irrigated, but whereas the former is dominated by paddy as a subsistence crop, the latter is much more commercialised with a dominance of cash crops. The operational holdings in the latter are larger, and the use of industrial inputs including machinery is much more significant. Tenancy was much less prevalent here than in Tanjavur. Agriculture being mostly capitalist in nature, the motivation for movements in Coimbatore was decidedly on the new issues affecting agriculture. Not that there were no contradictions within its agrarian structure, there certainly were; but they were preoccupied more with wresting concessions from the larger economy than with opposing labour. Though agriculture in Coimbatore is by and large dominated by rich farmers, their prosperity had to be safeguarded and made secure. Ultimately farmers' movements in Tanjavur receded into the background, and Coimbatore took the lead.

Though the farmers' movement started in Coimbatore on non-party lines tried to draw small peasants and at times even agricultural labour into its fold, it was essentially a movement led by the agricultural elite and for the agricultural elite. The rise of this movement and particularly the non-party form it took have sometimes been attributed to the growing political isolation of such elite. A Tamil Nadu Newsletter in the *Indian Express* (Madras, October 1980) had this to say:

All democratic local institutions such as Panchayats, cooperatives and even temple committees, where the local elite had a chance . . . have been systematically subverted during the last decade. The DMK which captured power at the State level in 1967 started subversion of these institutions. . . . The process was complete by the time the DMK government was dismissed in 1977. The President's regime, again motivated by political considerations, superseded all the DMK functionaries in those bodies but, instead of

5. The district was bifurcated in 1979 into Coimbatore and Periyar. We are referring to the erstwhile undivided district in what follows.

holding fresh elections, packed them with bureaucrats. The ADMK having been able to capture power at the State level had not been sanguine of electoral success at thousands of local institutions and has found it fit to run them with officials by postponing elections repeatedly. The result has been that the nonpartisan educated agricultural elite finds itself totally listless, and alienated. When there emerged a nonpolitical leader, who could articulate their unity, they have rallied behind him and have given him enormous strength.

This provides a significant insight into an important motivation behind the protest by the rural elite and the form it took. Deprived of their traditional dominance through local institutions because of the supersession by the bureaucracy, they had to find a way to assert their power. The non-party nature of the movement had little to do with any ambition to transform the rural society on progressive lines.

Nevertheless, there were other objective economic factors which led to discontent and frustration, not only among the elite, but also among the relatively small farmers, who were also commercialised. In a way, some of these factors characterised the State and the country as a whole too, but there were special features of the district which made it more sensitive to these factors.

One of these factors is a decline in the relative income per agricultural worker. The ratio of per worker income in agriculture to non-agricultural income per worker declined from 0.401 in 1970-71 to 0.308 at current prices and to 0.303 at constant (1970-71) prices in 1979-80 in the State. The decline has been more pronounced in real relative income than in money income. However, a decline there was in both. There has not been much change in the proportion of the workforce dependent on agriculture and, in absolute terms, there was an increase, in the face of stagnation in income from agriculture. Leaving aside 1980-81 which was a drought year, NDP from agriculture at constant prices increased by a mere 17.2 per cent in nine years since 1970-71. Except for a relatively good level in 1976-77

(when agricultural NDP was 22.4 per cent higher than in 1970-71), the whole decade was almost one of stagnation in the State's agriculture. The share of agriculture in SDP at constant prices has steadily declined from 51 per cent in 1960-61 to 39 per cent in 1970-71 and 32 per cent in 1979-80.

Coimbatore district of course has distinct characteristics. One of them is that the workforce here is more diversified than in the State as a whole, but it has hardly changed in the last decade in spite of its more developed industrial base. Its industries—both agroprocessing and engineering—are dependent mainly on the state of agriculture, which itself has been relatively stagnant. In 1971, 47.1 per cent of its workforce was dependent on agriculture (16.9 per cent cultivators plus 30.2 per cent agricultural labour), and in 1981, they were almost the same at 46.9 per cent (16.0 per cent plus 30.9 per cent respectively). Tamil Nadu as a whole has an even greater proportion dependent on agriculture—61.7 per cent in 1971 (31.2 per cent cultivators plus 30.5 per cent agricultural labour), which declined only to 60.8 per cent in 1981 (29.4 per cent plus 31.4 per cent respectively).

Secondly, the district has a larger proportion of area under large holdings, i.e. holdings expected to generate a net marketable surplus. In 1970-71, the operational holdings above 5 acres accounted for 42.4 per cent of all holdings and controlled 80.2 per cent of the area. In the State as a whole, such holdings accounted for only 21.3 per cent of all holdings and controlled 62.9 per cent of the area. As such, surplus holders dominate in the district both in number and area. Even small holders are exposed to the market here, as reflected in the proportion of their gross sale to output. In terms of this proportion they were found to be no less commercialised than the larger farmers,⁶ though in terms of net sales they were not so.

However, this comfortable position is being gradually eroded, which was reflected even within a short span of 6

6. This was found from a field study in the district conducted in 1979 by the author. See M.V. Nadkarni, *Socio-economic Conditions in Droughtprone districts of A.P., Karnataka and Tamil Nadu*, Vol. II, ISEC, Mimeo. 1982.

years. By 1976-77, the proportion of large operational holdings (above 5 acres) declined in Coimbatore to 34.1 per cent, and the area under them to 74.5 per cent. This experience was shared by the State too. The proportion of large holdings declined to 16.9 per cent and the area under them to 58.1 per cent by 1976-77.

Coimbatore has a distinct characteristic in another respect relevant here, viz., a higher level of industrial development, particularly of small industries.⁷ Though Coimbatore taluk has a lion's share of them, they are comparatively widespread and within easy reach of villages. Many villages can boast of a diversified economy, having household industries. Most of the industries have been owned by large cultivators themselves. Such diversification has relieved the pressure on agriculture, compared with the State, and certainly with the country as a whole. Yet, even before the social division of labour could proceed long enough, the process seemed to halt as seen from a stagnant proportion of the workforce dependent on agriculture and stagnant agriculture itself in the seventies. Moreover, the greater development of the cash economy meant that a crash in prices or in output of the farmer-cum-small-entrepreneurs can upset their economy gravely.

Yet, the fact that Coimbatore of all the districts developed as the main base of farmers' movements has a great significance. It suggests that protest movements of farmers did not take place in those areas where they suffered the greatest loss or deprivation, but in those areas where they were relatively quite strong but felt that their strength was not secure enough. On the average, both the income per household of Coimbatore farmers and their susceptibility to the vicissitudes of cash economy are probably the highest in the State. It is not only that their output is most commercialised and inputs are most modern, but even their traditional inputs are more monetised here than elsewhere. One indication of this is the higher proportion of agricultural

7. About the special position of Coimbatore in this reference, see also C.T. Kurien and Josef James, *Economic Change in Tamilnadu*, Allied, New Delhi, 1979, pp. 110-11, 124-27.

labour and greater dependence on hired labour in the district, than elsewhere. Whereas 52 per cent of agricultural workers were agricultural labourers in Tamil Nadu in 1981, they formed 64 per cent in the district. The larger holdings being more dominant, as noted above, greater dependence on hired labour is inevitable.

In contrast to the Tanjavur movement, the wrath of the movement in Coimbatore was directed against the government almost right from the beginning. Two issues dominated it: electricity charges and repayment of government loans. The organisation which spearheaded the movement under the leadership of Narayanaswamy Naidu, was the Tamil Nadu Agriculturists' Association (Tamilaga Vyavasavigal Sangham, hereafter referred to as the TNAA). It was started in 1966 in North Coimbatore taluk, which was converted into a district level organisation in 1967, and a State level organisation in 1973.⁸ It tried to be an all-India organisation too under the name of 'Indian Farmers Association'.

In 1967, its demands were relatively minor like replacing crop-specific taxes on commercial crops by a simple compound tax system, and allowing water drawn by energised pumpsets for home use. But the major spur to the movement came with the increase in electricity tariff in 1970—from 8.25 paise to 10 paise per unit. It was decided not to pay electricity charges until the tariff was reduced, and attempts to disconnect were bitterly resisted. The tariff was reduced to 9 paise subsequently, but was again increased to 12 paise in 1972. This led to a major confrontation in 1972 and 1973. Apart from reduction in electricity tariff, the TNAA, demanded remission of cooperative, government and private loans incurred by farmers, extension of new credit under a new credit policy, fixation of agricultural prices on the basis of cost of production and input prices, adequate supply of electricity, diesel oil, fertilisers and other

8. Apart from newspaper reports, the following account has depended on Alexander, *op. cit.*, M.S.S. Pandyan, 'Deceiving the Rural Poor', *Mainstream*, 21 June 1980; and a few documents of farmers' organisations made available and translated with the kind help of Mr. Johnson Samuel.

inputs, establishment of rural services centres to repair agricultural machinery and equipment, abolition of agricultural income-tax and taxes on commercial crops, and provision of crop and cattle insurance. The support of small peasants and agricultural labourers was also enlisted for the agitation, and they were reported to have dismantled a large number of bullock carts on the main roads in Coimbatore and thus paralysed the traffic.⁹ A call was given not to repay government and cooperative society loans, which had some attraction for small peasants.

For some time, the government postponed the solution by appointing a committee, and, during 1976, the electricity rates were further raised to 16 paise per unit, meter rents were also raised, and a fixed charge on pumpsets was enforced. By 1977, the TNAA was again on the war-path. To their insistent demands that farmers' overdue loans should be written off and their jewellery etc. pledged with the banks should be returned, and that electricity rates should be reduced, it now added two more. One of them was meant to please the agricultural labourers—asking the government to construct free houses and provide them with consumer goods at subsidised rates. Their second demand was for payment of a subsidy at the rate of Rs.1,000 per acre to encourage farming.¹⁰

Agitations in 1977 and 1978 took a violent turn, involving not only non-payment of taxes and loan arrears, but also State-wise *bundhs*, blocking of traffic, destruction of bridges, forced removal of security from cooperative credit societies, and *gheraos* of bank staff. Wherever farmers were organised, sign-boards, were put up at the entrances of villages asking government officials not to enter the villages without obtaining permission from the President of the Village Farmers' Association. This was to resist attempts to recover overdue loans or collect electricity charges. This practice was followed later in Karnataka too. The agitations were no longer confined to Coimbatore district; Salem and North Arcot too were active. A few deaths took place as a

9. Pandyan, *op. cit.*, p. 11.

10. *Ibid.*

result of police firing, and many were arrested.

A limited settlement was reached, in 1978, resulting in reduction of electricity tariff, meter rent and monthly fixed charges, and abolition of cess on cash crops. But the government refused to waive loan arrears, withdraw prosecution against more than a thousand persons charged with violence, or to settle other demands. Not satisfied, Naidu launched further agitations in 1979, and threatened to stop supplies of milk, vegetables, and other agricultural produce to towns and cities.

But a dissident opinion was growing within the movement among those who advocated a moderate line. An attempt was made to suppress this by expelling Balasubramanian, a leader from Salem. But the movement had weakened by then. Meanwhile, the government too reopened negotiations. In a shrewd move in 1980, the government led by M.G. Ramachandran decided to further reduce the electricity rates for small farmers and to write off their overdue loans. Overdues of big farmers were rescheduled. When leaders of the movements protested that this 'discrimination' was an attempt to divide the movement, MGR quipped with great insight that the secret behind the rich farmers' call for non-repayment of credit and their demand for blanket writing off of overdues was to see that the flow of institutional credit to small farmers was stopped so that they become dependent on the rich. The Chief Minister charged that the landowning class was making a determined bid to bring back the golden days of feudal landlordism.¹¹

The movement in Tamil Nadu has disintegrated since then. Naidu tried to resurrect his association by organising it as an all-India party, naming it as the Indian Farmers' and Toilers' Party. The Party contested a by-election to Parliament in which it lost heavily. Most of the political parties still have farmers' wings in the State, but as an independent force outside the political party system, farmers' movement today does not appear to be in sight in the State.

Farmers' movements were active in the State for over a decade and a half, and at one time the TNAA could claim active membership of 3 million, compared with the Kisan Sabha (of CPI-M) which had a strength of a little over 81 thousand in the State

11. Cf. *The Hindu*, 26 December 1980.

in 1977-78.¹² Yet, with all this, its achievement in the period could hardly be considered as significant, except for some reduction in electricity charges and some benefit in terms of overdues written off as noted above. This was because the movement was caught in several contradictions which overwhelmed it.

Naidu had realised, unlike the leaders of Tanjavur who were openly opposed to tenants and labourers, that the success of his movement would lie in developing a mass base involving small farmers and even agricultural labour, by making them realise that their prosperity was linked with that of farmers. But the policy of the movement over repayment of government loans, though it initially seemed attractive to small peasants, dried up the flow of cheaper institutional credit to them. With one shrewd move, MGR could erode the mass support for the movement as noted above. As for the agricultural labour, they had little to gain from the movement as such, and, as would be discussed in a later chapter, the relations between them and the local activists of the movement were hardly cordial. The demands made by the movement were disproportionately focussed on electricity charges which were of significance only to the rich farmers; even other demands which were stressed upon were of this nature. It could not become a vehicle for rural transformation, giving expression to the aspirations of the rural poor.

The movement could not produce any impact on the structure of the market affecting the mass of the farmers, nor could it bring them any long-term gains on this count. In demanding or enforcing any basic market reforms, the movement faced almost insurmountable contradictions. Primarily, it was because many rich farmers were traders and they owned land, making it difficult to draw a line between the two. Barbara Harriss found evidence of several such traders being allowed to become members of the TNAA, which was defended on the ground that they were "farmers at heart".¹³

This does not mean that the TNAA made no attempts to diagnose the market problems or to tackle them. It "successfully lobbied to restrain the rise in the purely private brokerage charge on cotton kapas in Tirupur to a maximum of Rs.10 per quintal", as noted by

12. Pandyan, *op. cit.*, p. 11.

13. Barbara Harriss, 'Inaction, Interaction and Action—Regulated Agricultural Markets in Tamilnadu', *Social Scientist*, November 1980.

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Harriss. It also tried to contain the influence of commission agents in regulated markets. In spite of the continued fight with the government, the TNAA opposed “the sabotage of state institutions by merchants” and saw “the strengthening of state trading as a solution both to this problem of sabotage and to the problem of produce prices”, according to Harriss. She has also reported that it lobbied the district offices of the Cotton Corporation of India, complaining of low prices and their habit of avoiding direct supplies from farmers. In response to this lobby, the Corporation was forced to buy from *bona fide* farmers, though in the process purchases declined by 92 per cent. The TNAA also organised demonstrations in 1980 to evict commission agents from the regulated markets.¹⁴

Here again, it was caught in contradictions, as noted by Harriss:

... if the commission agents were abolished as well as evicted, their banking activities would come to a halt dealing local cotton cultivation and marketing a severe body blow, unless the state stepped in to replace private production and trading loans. But (a) the TNAA refuses to repay state production loans as part of its protest on prices and state loaning is paralysed as a result, and (b) the RBI refuses state or nationalised bank loans for trading. . . . This contradiction emasculated the power of the TNAA.¹⁵

Though such was the fate of the movement in Tamil Nadu, it left an indelible impact much beyond the State boundaries and it could be said to have provided inspiration to similar movements by farmers on non-party lines. Even other minor details of the movement were emulated. If farmers' lobbies became powerful in the seventies and the eighties, good part of the credit should go to Naidu and his movement. In the process, movements elsewhere inherited the weaknesses, too, of his movement.

Maharashtra

Farmers' movements on price issues took place in Maharashtra during a decade when its agriculture had turned the corner—from

14. Barbara Harriss, *State and Market*, Concept, New Delhi 1982, pp. 109-10.

15. *Ibid.*, pp. 110-11.

stagnation to growth. During the sixties, SDP from agriculture showed a clear decline, from Rs.61 crores in 1960-61 to Rs.557 crores in 1970-71, in terms of the 1960-61 prices. Whatever expansion in irrigation took place, was mostly cornered by sugarcane, and yields per hectare increased neither in sugarcane nor in foodgrains. The prosperity in agriculture was confined mostly to sugarcane growers of western Maharashtra, who also wielded enormous political power. It looked as if the 'Green Revolution' had no relevance for the State till at least 1972-73. Things began to change thereafter and growth in yields per hectare set in, overcoming the previous stagnation,¹⁶ and the use of modern inputs increased even in the case of crops other than sugarcane. The SDP from agriculture in terms of 1970-71 prices increased from Rs.1,047 crores in 1970-71 to Rs.1,540 crores in 1980-81 and this growth took place only after the drought of 1972-73. And it was during the latter half of the seventies that farmers' movements took place under the stewardship of Sharad Joshi.

Apparently Maharashtra economy is very diversified, considering the share of the non-agricultural sector in income, which was 75 per cent in 1980-81. The share of agriculture in SDP (in constant prices) has steadily declined from 40.1 per cent in 1960-61 to 27.0 per cent in 1970-71 and 25.4 per cent in 1980-81. The steep decline in this proportion during the sixties was not merely relative, but also absolute, as noted above. The workforce, however, is not as diversified as income, though the share of agriculture in it has declined from 69.9 per cent in 1961 to 64.8 per cent in 1971, and then to 61.6 per cent in 1981. This has made the ratio of agricultural income per worker to non-agricultural income very unfavourable in the State as compared with the country as a whole. At the 1970-71 prices it was only 0.223 in 1970-71, which declined to 0.212 in 1980-81; at current prices it declined to 0.215 in the latter year. Though the decline has not been marked during the decade, thanks to a significant growth in agriculture, and the movement of relative prices has not been such as to further accentuate this decline, the disparity between per worker income in agriculture and other sectors has been very significant and has continued to be so in spite of the growth in yields and increased

16. Cf. R.S. Deshpande, 'Yield Uncertainty in Maharashtra Agriculture', Ph.D. thesis in progress. Marathwada University, Aurangabad, esp. Chapter 5.

expenditure on modern inputs.

The chief architect of farmers' movements in Maharashtra is Sharad Joshi. Paradoxically, he seemed least qualified for it, being not only a highly educated urbanite having held a remunerative office in the United Nations, but also a Brahmin—a caste which has had no hold in rural Maharashtra. Though eyebrows were raised by some established politicians who tried to undermine his movement by pointing at his caste, he had no difficulty in being accepted by farmers.¹⁷ He could give expression to what they wanted, and gave them an ideology to justify it.

His diagnosis of rural problems is in terms of price issue, to an extent that his is called a one-point programme for remunerative prices for farm produce, "which according to him will set in motion all the required forces towards the removal of poverty in the country".¹⁸ After he returned to India in 1975, he bought some land in Chakan taluk of Pune district as an experiment in dry land farming. "Using all recommended practices, he realised that it was not for technical reasons that the farmer made less than he should. It was because of economic reasons".¹⁹

His new career started with a campaign in his taluk for remunerative prices for onions in 1979, which spread also to Nasik district. This area contributes the bulk of the country's onion output. The onion growers whom he organised were hardly comparable to the rich sugarcane growers of western Maharashtra and were victims of erratic market forces. As he said, "In 1979-80 when the onion agitation went on in Nasik district, onion was selling at 15 paise a kilo in the district whereas retail price in cities like Bombay, Delhi and other places was over Rs.2 a kilo."²⁰ It was also very much subject to fluctuations in prices. However, he could not restrict himself to onion alone, and, to broaden the base of his movement, took up the cause of sugarcane growers too in the district. He demanded a price per quintal of Rs.50 to Rs.70 in dry season and Rs. 100 in rainy season for onion, and Rs.300 a tonne for sugarcane (at 10% recovery). The massive response he got from farmers sent ripples all over Maharashtra. The agitation relied on

17. Cf. Joshi's statement in an interview to Revathi Venkateswaran, *The Hindu*, 22 August 1980.

18. As reported in the interview to D.B. Khade, *DH*, 15 March 1981.

19. *The Hindu*, interview, *op. cit.*

20. *Ibid.*

blocking of roads, and some 31,000 courted arrest. His organisation, Shetkari Sangathana (Farmers' Association) became a household name. In response to the agitation, the State Marketing Federation undertook to buy onion in areas not covered by NAFED at prices which were increased by 25 to 35 per cent. Even in the case of sugarcane, the Antule government asked the sugar factories to increase the amount of advance from Rs. 150 to Rs 180 per tonne. Citing the gains of this movement Joshi claimed that in 7 or 8 districts of Maharashtra at least, indebtedness on account of crop loans was wiped out and land mortgages were cleared as a result. The prices realised came fairly close to what were demanded.²¹

Meanwhile, Joshi's attention turned to beedi tobacco cultivators of Nipani in Karnataka, on the border with Maharashtra. The growers had only the internal market to sell to, and were in the grip of rapacious merchants. The familiar trade practices of providing some advance before harvest and taking away the harvest at less than the market prices, price rigging, shortweighing, and fraudulent grading, were reported to be very common.²² Even the market prices could be manipulated with relatively greater ease. The prices fell quite low in 1980. Joshi found that "growers received less than six rupees a kilo as against the production cost of more than Rs.12. What is worse, the traders sold the stuff at double the production cost."²³ Coming in the wake of success at Nasik, Joshi was easily accepted by growers. None else had recognised their problems either.

The agitation at Nipani was started in March 1981, taking the form of blocking of traffic (Rasta Roko). Nipani is on the Bangalore-Pune Highway. For 24 days farmers blocked the highway, forcing the traffic to take a diversion. Then the Karnataka police acted suddenly to arrest Joshi and clear the road by resorting to firing. It is alleged that the tobacco merchants stage-managed a provocation by throwing stones with the help of hired goondas, forcing the police to act against farmers.²⁴ Some 10 people were reported killed in firing and hundreds injured. The State government avoided the price issue on the ground that only the

21. *DH*, interview, *op. cit.*

22. Cf. editorial, *The Times of India*, 8 April 1981.

23. As reported in *New Wave*, 19 April 1981, p. 5.

24. *Ibid.*

Centre could fix support prices for tobacco but it offered help to growers in forming a cooperative to overcome the exploitative private trade and the RBI offered to advance 75 per cent of the total price of tobacco received during the previous year to facilitate the formation of such a cooperative. Joshi instead demanded monopoly procurement by the state, as growers were too weak to form a cooperative, or, in its absence, a 100 per cent advance by banks to float a cooperative, neither of which was acceptable to the government.²⁵ Though prices paid were somewhat higher after the agitation, tobacco growers continued to be in the grip of private trade and the agitation failed. Since October 1984, the open auction system was started for tobacco, and is expected to result in better prices for growers.

No major agitation took place after this under the stewardship of Joshi, at least in Maharashtra, though he has been active in broadening the base of his organisation, addressing rallies and meetings. He could also bring about a hike in milk prices with relative ease. He has been cautious, at least within Maharashtra, in launching agitations concerning prices of foodgrains. To a question as to how he would secure fair price for foodgrains in a situation where small farmers have to buy foodgrains which large farmers sell, he replied: "Agitation over foodgrains is a danger. That is why, I think left parties which have begun agitating for paddy recovery prices have done it most haphazardly. Each agricultural product requires a tailor-made approach. An economic agitation has to take into account the agricultural marketing situation. . . . The political parties are just not equipped to take on such a matter. . . . We will be launching the milk price agitation".²⁶ Both milk and rice being produced mostly for sale, it was easy for Joshi to talk of agitation on them, but he avoided answering the basic question. It is obvious he does not want to get involved in such a contradiction.

He has turned his attention to far off Punjab instead, where he does not face this contradiction since all crops including wheat are highly commercialised there and the proportion of deficit farmers is low. Moreover, he has made known his awareness of limits of carrying out agitations for higher prices within a State: "Now we have to look beyond the boundaries of Maharashtra. For example, if

25. *Ibid.*

26. *The Hindu*, interview, *op. cit.*

you want to get (higher) prices for groundnut, we cannot succeed till we have solid contacts with Tamil Nadu and Gujarat; for cotton, contacts with Gujarat, Uttar Pradesh, Andhra Pradesh, and even Punjab are necessary. So now the time has come for farmers in different corners of the country to come together."²⁷ Sharad Joshi has risen to great heights within a short span of five years. Beginning with upholding the cause of the relatively small and humble onion and tobacco growers exploited by merchants, he has risen to uphold the cause of more prosperous farmers—first, of sugarcane growers within Maharashtra, and then of wheat growers in Punjab. He is not likely to set his sights lower.

Before we move on to the Punjab, it is important to note another stream of movement in Maharashtra, which has shown a broader perspective of issues concerning the peasants. The Peasants and Workers' Party had long since been working among the peasants of Maharashtra with a socialist ideology, having appeal to the middle and poor peasantry. Joshi's success at Nasik dismayed not only the established politicians in the ruling party, Congress(I), but also others in the PWP and other 'left and democratic' parties, comprising non-Congress(I) opposition excluding the earlier Jana Sangh and the BJP presently. These left and democratic parties almost felt their ground slipping under them, and feared that whatever mass base they had might erode, unless they assert their credentials with the peasantry. The result was a long march on foot—a Dindi,²⁸ in December 1980, from Jalgaon to Nagpur, covering a distance of about 450 km. The march gained wide participation and publicity. While its leaders supported the demand for higher prices, they were also careful enough not to give the impression of having a one-point programme in Joshi's style. They demanded basic reforms in the market system, extension of the public distribution system to rural areas, and fair wages to agricultural labour.

For a long time, unfortunately, the leaders of the movement led by the left and democratic parties did not show Joshi's capacity to

27. Cf. interview to Devinder Sharma, *Express Magazine*, 9 January 1983.

28. Dindi is religious tradition in Maharashtra. Peasants go on foot to the holy place of Pandharpur carrying the images of gods and saints. In this particular Dindi, the pictures of social reformers like Mahatma Phule, Dr Ambedkar, and other heroes of Maharashtra replaced God Vitthala. Cf. N.D. Mahanor, *Shetkari Dindi* (Marathi), Nilakantha Prakashan, Pune, 1982.

identify concrete situations and seize such opportunities to launch agitations. Such an opportunity was, however, seized by the PWP recently on the issue of compensation at low prices for land acquired from farmers for the Nhava-Sheva satellite port in the urban area of Rajgad district. This issue was not unique to the project. Apart from land for industrial projects, the rural land surrounding cities has also been acquired by the urban development authorities at prices which, even if higher than what would have prevailed in the absence of such projects or urban expansion, have been less than the market prices that prevailed after their acquisition. It is not always easy for farmers to convert the cash compensation into productive assets or to secure land in other places so as to maintain their previous incomes. They are often displaced and the compensation does not necessarily equal the rehabilitation costs. In this particular instance, the government offered Rs. 27,000 per acre, whereas farmers demanded Rs. 40,000. An agitation for a higher price was organised by the PWP in January 1984, and this resulted in police firing leading to the death of five farmers and injury to some 120 agitators.²⁹ According to a report, the land acquired was mostly marshy, and the government had already sanctioned Rs. 2.5 crores for the rehabilitation of those farmers whose lands were acquired and another Rs. 1.5 crores for the rehabilitation of 'gaonthans' (village settlements).³⁰

It would of course need investigation to see if this was adequate. But the intensity of the agitation and the preparedness of farmers to face even police firing would suggest that their problems were not fake or made up for merely political purposes. The agitation, in any case, highlighted an important issue affecting farmers all over the country—their displacement by infrastructure needed by the larger economy, or by industries and urbanisation. But it is doubtful if it also succeeded in gaining a lead for the left and democratic parties in the farmers' movements in the State.

Punjab

Farmers' movements in the Punjab should make a poignant reading for the left parties, which were in the forefront of peasant

29. *DH, news*, 21 January 1984.

30. *DH, news*, 18 January 1984.

movements earlier. What has happened there is by no means unique, but suggests what farmers' movements mean to the left parties. Compared with Karnataka certainly, and probably even with Tamil Nadu (except in Tanjavur) and Maharashtra, these parties had a much stronger base among the peasantry, including agricultural labour, in the Punjab. They had organised several struggles for higher wages and on anti-landlord issues. With the development of agriculture on capitalist lines and with the rise of rich peasantry, the left parties receded into the background, in spite of the fact that the contradictions of capitalist development should have made their position stronger.

With a growing awareness that farmers can negotiate with the government more successfully through a non-political and non-communal front for their professional demands, the Bharatiya Kisan Union (BKU) was formed in the State in 1980. Even earlier, there was the Punjab Khetibari Zamindara Union (KZU) formed in 1972 to fight for higher procurement prices for wheat and concessions in inputs. The Punjab KZU converted itself into the Punjab unit of BKU in 1980.³¹

There has always been a rapport between the BKU and the Akali Dal. This is not only because the common target of their attack has been the Central government and the ruling party—the Congress(I), but, as Gill and Singhal have observed, their economic demands too are identical and both have the same class base. What is more, both want more power for the States, as the rich peasantry can then "use government power at the State level to promote its interests and make a better bargain with the monopoly bourgeoisie."³² More powers for the State can certainly be justified on other grounds too, but the class basis for such demands also needs to be appreciated.

The class base of the Punjab farmers' leaders is hardly in doubt, in spite of the fact that in this State even comparatively small farmers are commercialised and have a marketable surplus due to higher productivity. They have become members of the BKU which is led and dominated by the rich as in other States. According to the

31. As per the account given by Sucha Singh Gill and K.C. Singhal, 'Punjab Farmers' Agitation', *EPW*, 6 October 1984, p. 1729.

32. *Ibid.*, p. 1732.

report by Gill and Singhal, nearly 80 per cent of the leaders own more than 6 acres of land, 49 per cent own more than 11 acres of land, 95 per cent have electric tube-wells/pumping sets, 84 per cent have mechanical threshers, and 68 per cent have tractors. They have been, the beneficiaries of Green Revolution as well as government concessions. 29 per cent of the leaders have indebtedness of more than Rs.10,000 and their borrowing is mostly from the cooperative institutions.³³ It is not surprising that here too, as in Tamil Nadu, the agitations have centred on electricity charges, recovery of cooperative loans and irrigation charges, apart from the procurement price of wheat.

As in Tamil Nadu again, the farmers' movements under the 'non-political' organisations have only increased the power of rich farmers *vis-a-vis* agricultural labour. As we shall see, this happened in Karnataka too. The Kisan Sabhas may extend support to the cause of farmers to gain entry into their movements, but the dominance of the rich ensures that the Communists will not be in a position to protect the interests of agricultural labour and marginal farmers. Gill and Singhal have cited instances where leaders of the Punjab KZU had earlier taken and the BKU is now taking ruthless steps systematically "to teach a lesson" to the protesting agricultural labour. They also observe that the "BKU can disrupt the present programme of the communists to build a worker-peasant alliance in the rural areas".³⁴

The ruling party and the government also have acted in such a way as to encourage the BKU, while their attitude has been tough to the agitations led by the left parties. This again was not a unique situation here. It was so in Tamil Nadu and Maharashtra, and, as we shall see in the chapter that follows, it was so in Karnataka, too, under Gundurao's government. During the picketing by the BKU of the Raj Bhavan from 12 to 18 March 1984, "no hurdles were put in the way of farmers coming from all parts of the State to Chandigarh. ... The farmers were given rather guest treatment. They have been allowed to gherao PSEB offices and, lately, even police stations without any difficulty."³⁵

A rather distinctive feature of the Punjab movements is the

33. *Ibid.*, p. 1729.

34. *Ibid.*, p. 1732.

35. *Ibid.*, p. 1731.

attempt to involve 'non-political' leaders of farmers from other States and project a national image of their movements. This was particularly so during the gherao of the Raj Bhavan in March 1984, in which farmers from Maharashtra under Sharad Joshi's leadership, and from Haryana, UP, and MP had joined. Even the Kisan Sabhas of the CPI and the CPI(M) had joined them. The realisation that farmers from different States should make coordinated efforts to get their demands accepted and that this has also to be through a non-party medium, has led to the formation of an Inter-State (also called All-India) Coordination Committee of Non-political Farmers' Organisations. Speaking on behalf of this Committee, Sharad Joshi called for scrapping of the APC and constitution in its place of an Agricultural Costs Commission (to announce costs of cultivation from time to time rather than recommended prices) and for adjustment of support and procurement prices to the movements of the Cost of Living Index since 1965. If these demands were not met, he announced, fresh agitations would be launched in the form of withholding the supply of wheat from Punjab and Haryana, refusal to repay farm loans, preventing entry of politicians into villages, diverting land under foodgrains to pulses, oil-seeds, fruits and vegetables, or agro-forestry, or simply keeping it under rotational fallows.³⁶ One does not know if he had given thought to what could happen to the prices of oil-seeds, fruits and vegetables, if the farmers started diverting land under foodgrains to these crops on a mass scale. Their prices were already unstable enough and threatened to crash any minute. Withholding supplies or producing less, even where it was tried as an official measure as in the United States to influence prices, was hardly implemented by farmers in practice. Even if this was tried as a protest movement in a situation of shortage, the government would still have access to imported foodgrains to meet at least marginal shortages. If this was not done, the deficit farmers and other rural poor, jolted by the rise in the prices of foodgrains they had to buy, would emerge as a contradiction in farmers' movements, great enough to break them.

As elsewhere, the BKU has also tried to take up a few issues of general interest to endear itself to other rural sections—issues where there is no conflict. These included improvement of rural

36. *DH*, 19 March 1984.

infrastructure, reservation for rural areas in professional and other educational institutions, industrialisation of rural areas and the like.³⁷ The major thrust, however, has been on higher prices for agricultural output and supply of inputs at concessional rates, resistance to recovery of loans and canal lining expenses, fight against increase in electricity tariffs and also against corruption. In their fight against the government and corrupt politicians, the BKU also (as in Tamil Nadu and Karnataka) put up notices at village entrances barring entry without permission. Though a resistance to malpractices indulged in by government officials—particularly the loan recovery and procurement staff—was necessary and to this extent the agitation was constructive, it could also result in resistance even in genuine cases and could prevent the entry of Communists interests in separately organising agricultural labour and marginal farmers. The Kisan Sabhas in the State have naturally opposed such entry restrictions.

There is indeed an objective basis for discontent among the Punjab farmers. The increasing prosperity experienced during the sixties seems to have encountered a reversal during the seventies. The rates of return on the cultivation of wheat declined sharply from about 20 per cent in the early seventies to a mere 4 per cent during 1975-76; it improved to 12 per cent by 1978-79, but could not regain the earlier level.³⁸ While the costs increased sharply partly due to stagnant yields, prices did not rise proportionately. As in the country as a whole, so also in Punjab the terms of trade moved against agriculture during the seventies. Gill and Singhal attribute this to a deliberate policy occasioned by the failure to tax the surpluses created in agriculture in the wake of the Green Revolution. Due to the resistance of farmers to taxation on agricultural incomes on par with non-agricultural incomes, the government, according to them, tried the other means of turning the terms of trade against agriculture by reducing subsidies on inputs, which resulted in an increase in their prices.³⁹ The input prices, however, seem to have increased due to international shocks and the need to economise on scarce foreign exchange, rather than a deliberate attempt to turn the terms of trade against agriculture.

37. Gill and Singhal, *op. cit.*, p. 1729.

38. See Table 6.6 below.

39. Gill and Singhal, *op. cit.*, p. 1728.

Actually, the subsidy on inputs—particularly on fertilisers—has increased phenomenally from Rs.9.7 crores in 1974-75 to Rs.1,080 crores in 1984-85.

In spite of increasing prosperity, even Punjab agriculture had almost the same problems as elsewhere. The cultivable area per agricultural worker declined steadily from 2.23 hectares in 1961 to 1.75 hectares and 1.50 hectares in 1971 and 1981 respectively. Industrial employment increased, but the increase was insufficient to check this trend. Despite this, the per worker productivity has increased in agriculture so far. But the very spread of industries in the neighbourhood has made a comparison of the state of agriculture with that of industry easier. Though rich farmers themselves have invested in industries, not all farmers are able to derive similar benefits.

In spite of the absolute increase in income in real terms, the relative income of agriculture has not been to the satisfaction of those who made a success of HYVs. Between 1961 and 1971, the proportion of the workforce in agriculture (cultivators and agricultural labour) actually increased from 55.9 to 62.7 per cent but declined a little to 59.2 per cent in 1981. The proportion of income from agriculture (including livestock) which was 60.0 per cent in 1970-71, declined in 1980-81 to 53.1 per cent in terms of the 1970-71 prices and to 49.9 per cent at current prices. The ratio of agricultural income per worker to non-agricultural income, which was 0.890 in 1971 indicating a close parity, declined in 1981 to 0.783 in terms of the 1970-71 prices and even lower to 0.689 at current prices. Thus, the decline in relative income in real terms was further accentuated by relative prices, indicating a relative decline in purchasing power of agriculture.

The situation in Punjab is obviously different from that in Nasik for the onion growers or in Nipani for the tobacco growers. The Punjab farmers are much better off in terms of stability of prices. Market infrastructure has developed to a greater extent in Punjab and is relatively favourable to farmers. The Punjab agitation took place not because farmers were poor or had not gained in absolute terms—they might have even gained in relative terms compared with agricultural labour—but because they did not gain relatively to non-agricultural income which they could observe closely. The usual reference point for comparison of one's own income level is not the income or gains of a poorer class, but that of a richer class,

even if it is not very much richer. Initially, even the relative income must have significantly increased, particularly in the case of rich farmers who adopted HYVs. But after they adopted HYVs, further increase in their absolute gain tapered off, though in the region as a whole productivity might have continued to increase through a wider spread of HYVs and increased use of modern inputs. But farmers who had already adopted them as well as the recommended dosage of inputs, found that not only were their incomes relatively stagnant but the incomes of those who were hitherto poorer were catching up with their own. As this process became wider, involving more and more farmers, they had to seek other means of increasing their income, including prices, through organised agitations.

It is significant that no agitation in Punjab, Maharashtra or Tamil Nadu aimed at basic alterations in the market structure or the economic system. Though the left parties talk of farmers being against monopolies, the 'non-political' fronts hardly gave a serious thought to the need for curbing monopoly power. They have been concentrating only on gaining more concessions from the government. As we shall see, this was true of the movements in Karnataka too.

CHAPTER 4

The Course of Movements in Karnataka

BEFORE MALAPRABHA

Farmers' movements in Karnataka on the new issues came into prominence only with the Malaprabha agitation in 1980. There were, however, quite a few sporadic attempts earlier, when attention was drawn to some of these issues, but the main concern till at least the mid-seventies was with land reforms and their implementation. B.V. Kakkilaya and Srinivas Gudi, prominent Kisan leaders of the CPI and its Kisan Sabha in Karnataka, organised Ryota Sanghas in several districts including mainly Dakshina Kannada, Bangalore and Gulbarga. Their State level organisation was also called the Karnataka Rajya Ryota Sangha, probably to give it an identity distinct from that of the Kisan Sabha which was mainly concerned with tenants, although affiliated to the latter at the apex level. This Sangha, however, was sent into oblivion by the new Sangha with the same name led by Rudrappa since 1980. Even in the early seventies, Kisan leaders of the CPI started realising that they cannot remain preoccupied with land reforms alone, and that on price issue farmers, particularly small farmers, are exploited by merchants and monopoly capital, and so had to demand higher guaranteed prices, nationalisation of trade and monopoly purchase by the government, supplemented by a widespread public distribution system in the countryside. This realisation found expression even at the district level Ryota Sangha meetings, as, for example, in the resolutions passed by the first Bangalore Ryota Sangha Conference at Marikuppe, Magadi Taluk, in 1972 (pp. 1 and 2, Mimeo, in Kannada). These demands were made more specific in the subsequent conferences. The CPI-led Ryota Sangha called for a State-wide agitation by farmers from January 15 to February 15 in 1979 for remunerative prices for paddy, sugarcane, cotton, groundnut, jowar and silk cocoons and

for market reforms¹ However, the Party did not have adequate cadres to work among the peasantry, and the affluent peasantry always suspected the CPI and CPI-M led peasants' movements as being more pro-labour and pro-tenant than pro-farmer.

There has also been another group under the Farmers' Federation of India (FFI), active both before and after the Malaprabha agitation. At the national level it is presently led by Bhanu Pratap Singh. In Karnataka, among the prominent persons associated with it have been Bheemanna Khandre, K.N. Nagarkatti (a retired ICS officer), C. Narasimhappa (a professor of Commerce and Cost Accountancy) and, M.N. Nagnoor. The lineage of the FFI is traced to a farmers' organisation founded by N.G. Ranga, which came under the Swatantra Party with him and opposed cooperative farming as a solution to the problems of Indian agriculture and sought to strongly defend and promote peasant proprietorship. After this Party was dissolved, the FFI emerged as a separate identity. At some stage later, it came under the influence of Chowdhury Charan Singh and his Lok Dal. Though several prominent members of the FFI such as Narasimhappa, its General Secretary for Karnataka, are Lok Dal leaders, its separate identity has been maintained. Its main base in Karnataka is reported to be among the sugarcane growers and coffee planters, but it has taken up issues of other farmers too. It pressed the government to start procurement centres for the purchase of hybrid jowar and ragi in 1978 and 1979.² Karnataka is one of the few States which had a relatively great success in increasing the production of these crops under rainfed conditions through the adoption of HYVs. Since their prices were threatening to fall, support operations were necessary, without which their growth would have been jeopardised. The procurement of these crops has also been helpful in providing essential foodgrains under the food-for-work programme. The main attention of the FFI, however, has been on other issues.

1. According to a leaflet distributed at that time, signed by Kakkilaya and others, minimum support prices were demanded as follows: sugarcane Rs.150 per ton, cotton (kapas) Rs.400 per quintal, long staple cotton Rs.800 per quintal, groundnut Rs.225 per quintal, and paddy (coarse) Rs.100 per quintal.
2. An interview with C. Narasimhappa was helpful in presenting the above account.

In March 1979 itself, the FFI threatened to start an agitation by over three lakh farmers unless taxes on agriculture were reduced and farmers were rescued from the adverse terms of trade. It called particularly for reducing electricity rates and market fees, and abolition of sales tax on agricultural goods and inputs.³ In another statement next month, abolition of agricultural income-tax and reduction in fertiliser prices and power tariff were demanded.⁴ They were mainly voicing the interests of the elite farmers—the large sugarcane growers and coffee planters—particularly in demanding the abolition of the agricultural income-tax. The FFI—then or now—did not appear to have developed a mass base among the peasantry, though it must be said to the credit of its office-bearers that they have played a notable role from time to time through a studied presentation of their views to the government and in suggesting development programmes. It was, however, only with the agitation in the Malaprabha area that farmers' movements could be said to have developed a mass base, in which both the rich and other peasantry joined.

THE MALAPRABHA AGITATION

A combination of conditions could not have been more ideal for an intense agitation to start than what obtained in the Malaprabha command area of Dharwad district. The area had been a part of the chronically drought prone region, where farmers traditionally raised mostly one crop in a year, either jowar or short staple cotton or a mixture of the two, mostly with own inputs. The area has black cotton soil, and a few timely rains were all that the farmers needed to raise what they wanted. The holdings were of course larger than elsewhere, but even holdings of 5 to 10 acres here could not be regarded as rich or having net surplus. Into this traditional agriculture, irrigation was introduced in 1973-74, under conditions which did not permit heavy irrigation as it could easily lead to salinity and water-logging if drainage was not provided. Being new to irrigation, under such conditions, was a further disadvantage. The farmers were hit by both economic and

3. Cf. Bheemanna Khandre's statement, 'Farmers to launch agitation in State', *DH*, 29 March 1979.

4. Statements by M.N. Nagnoor and K.N. Nagarkatti, *DH*, 26 March 1979.

technical factors, which were compounded by bureaucratic indifference.

With irrigation, farmers got involved in a cash economy much more than before. They were encouraged to grow *Varalakshmi* long staple cotton and also hybrid varieties of jowar under light irrigation, using costly seed, fertilisers and pesticides from the market. As cotton prices were quite high at that time, it appealed to farmers to adopt new varieties, and their hopes soared high. There were, of course, complaints that in a hurry to introduce hybrid varieties, not much attention was paid to proper quality control of seeds, and farmers felt that about 30 per cent of the seed supplied was spurious.⁵ But farmers took this in their stride. What broke them was the subsequent crash in the prices of cotton followed soon by a steep rise in fertiliser prices. The price of *Varalakshmi* cotton which ruled at Rs.1,000 a quintal in 1974-75 came down to Rs.350 in 1979-80.⁶

While this tragedy was operating, an attempt was made to collect a betterment levy with retrospective effect on the basis of increase in land values following irrigation. The levy, however, was only a fraction of the estimated increase in land values and its collection also was much less than demand. It varied from Rs.500 to Rs.1,500 per acre, to be paid in 20 annual instalments. In terms of an annual instalment it was not a large figure even at the maximum level. What caused resentment against the levy was not so much the size of the amount involved, as the fact that a farmer had to pay the levy for all his land once it was in a command area, even though only a part of his holding was irrigated. Moreover, lands which were supposed to be irrigated were not in fact irrigated, due to inadequate land development. Often the tail-enders did not receive water at all, or, when they did, the supply was irregular; while those at the head tried to corner water, growing sugarcane and attracting penalties in the process. Apart from the uninformed greed of the farmers at the canal heads, inadequate channel development and management also created this problem. An example of this problem is flooding of fields through sudden letting out of water from the reservoir. Many complained of water-logging and salinity within two or three years of irrigation. More than being a burden, the levy became an affront

5. 'Farmers tell their story', *DH*, 29 July 1980.

6. 'Varalakshmi a bad dream now', *DH*, 29 July 1980.

to those who had inadequate water, as well as to those who had too much of it for their soils.⁷ A committee headed by S.R. Bommai set up in the wake of the agitations "toured the troubled areas and visited a number of villages and found that the grievances of farmers were genuine . . . found water-logging, roads closed, farmers not receiving water at all, charged tax (and), salinity limitless."⁸ It may be noted, however, that the opposition to the betterment levy was total, and not simply conditional upon not receiving water. The fact that the tax base was a notional increase in land values and not a realised increase consequent upon sale, was something that farmers could not stomach.

There is a view that it was an agitation by large landholders against land reform, specifically against lowering of land ceilings as a result of irrigation, more than it was against betterment levy.⁹ The fear of ceilings being lowered as a latent motive force cannot of course be entirely ruled out. The point, however, is that the resentment against such lowering would be all the more bitter if the expected benefits from irrigation were not realised. If the large number of tractors lined up in front of Tahsildars' offices in place of active agitation particularly on the fateful day of July 21 is any proof, there is no doubt that large farmers were very much behind the agitations. But, though led by large farmers, the poorer were spontaneously involved in the agitations since many of them also experienced frustration of their expectations from irrigation and even a deterioration in their conditions as a result of the fact that they too

7. The quixotic ways in which betterment levies were proposed in the neighbouring Ghataprabha command—which were not unique to that area—have been discussed in detail by Sachidanand Murthy, 'Malaprabha to Ghataprabha: Levy for Nobody's Betterment', *Indian Express*, October 11, 1980. A few instances: Farmers in 19 villages of Gokak taluk, who were beneficiaries of the old Gokak canal in 1923, were charged the levy in 1975; an MP who had surrendered an uncultivable rocky piece of land under ceilings legislation was asked to pay betterment levy on it as it was in the command area. In some cases, water was supplied 20 years after the project was started, and all the appreciation in land value was attributed to irrigation, ignoring a similar appreciation in capital goods, wage rates, etc.

8. As per Bommai's statement, *DH*, 3 January 1981.

9. See statement by Deputy Commissioner, Dharwad, *DH*, 29 July 1980. The view finds a sympathetic mention in Narendar Pani's book *Reforms to Pre-empt Change—Land Legislation in Karnataka*, Concept, 1983, p. 98. But Pani himself is aware that ceilings could be avoided almost everywhere with ease without resort to Malaprabha type agitations.

had invested in seed, fertilisers and pesticides to grow cotton in irrigated areas and lost heavily by the slump in prices. The issue which was most emphasised during the agitation and after was, however, that of betterment levy and water rates rather than that of price stability.

The role of local bureaucracy also seems to have been an important factor in the agitation and they became the target of the fury of farmers. This was not merely because they were the proximate manifestation of the government, but also because of the way they played their role. The scope for bribery could be immense in newly irrigated areas subjected to development pressures and irrigation levies. In an area with a lower literacy rate, this was specially so. A journalist who visited the area soon after the July events, has reported what the local farmers narrated:

Nothing can be done without a handsome bribe, be it purchasing seeds, fertilisers, getting a record of rights, selling produce, getting compensation for lands acquired, paying the highly illegal agricultural income tax or paying of loans. When tax assessments are sent to farmers holding 36 acres of land (which is not taxable) on the mistake that he owns, say, 48 acres, the officer is not likely to correct his own error free of charge. And when the government acquires 4 acres of land but pays compensation for three, only a fat *mamool* can get the records right.¹⁰

Even where they may not have been corrupt, they seem to have been indifferent to the problems of farmers. They perceived their duty more in terms of mechanical obedience to written government directives, rather than in terms of showing initiative to understand their role in the development of a region. The Special Deputy Commissioner of Dharwad, on a cross examination before the Kempegowda Commission of Enquiry, conceded that he was unaware of any dissatisfaction among farmers regarding the recovery of betterment levy and water rates.¹¹ The Defence Counsel for farmers reported before the Commission that when their leaders met the Special DC in May 1980 to seek his

10. *DH*, 8 August 1980.

11. *DH*, 7 December 1980.

intervention, he turned them away without looking into their demands and conveyed a message to Bangalore that most of the demands were unreasonable and could not be considered. When the farmers went on a fast at Navalgund, the Special DC visited the place but did not see them.¹² Such instances made the farmers rather furious. It has also been pleaded on behalf of the bureaucracy before the Kempegowda Commission that they were in no position to redress the grievances of farmers as it involved policy matters, that they were merely carrying out the policy directives and orders from the government, and that in any case they did not enforce recoveries when a complaint appeared to be genuine. Coercive recoveries were reported to have been stopped by at least early 1980, that is, well before the July incidents.

Recoveries indeed were hardly significant and much below expectations, which anyway has been generally true of irrigation levies. The budgets of the State governments, including the budget of the Karnataka government reveal that, by and large, water rates and levies have not even covered current maintenance expenses on irrigation, let alone capital investment. Nevertheless, it is evident that the relations between local bureaucracy and farmers had reached a low ebb and the former showed an inadequate grasp of what was going on. Judging from the inadequate police arrangements in spite of almost a month-long *satyagraha*, they appear to have had no idea that the discontent was so intense that it could explode into violent agitations.

It is equally important to note that local MLAs also did little to promote a proper understanding of the problems of the region. They were on the sidelines during the agitations and after, playing no role—either for or against,¹³ if the elected representatives had nothing to do with what was happening in their constituencies. In fact, this was symptomatic of the failure of elected political leadership even at a higher level at that time. It played no role either in understanding local issues and seeking solution to them, or in making the farmers understand their own role in water management and in paying legitimate dues to the government. The communication links appeared almost to have been snapped completely.

The dispute between farmers and recovery officers regarding

12. *DH*, 2 March 1981.

13. 'Where were they?', *DH*, 29 July 1980.

irrigation levies began in 1976-77 itself, and representations were made to the Chief Minister Devaraj Urs. He directed the concerned departments to conduct proper surveys and to charge water rates and levies on the basis of actual benefits. Subsequently it was decided to exempt about 1,300 acres out of 32,000 acres surveyed for the purpose, but actually only 300 acres were reported to be denotified. It could hardly have satisfied the farmers. Moreover, the crash in cotton prices fed the discontent regarding the levy and the rates even in areas which actually benefited from irrigation. It further added to their fury when water rates were substantially raised in 1977 from Rs.18 to Rs.50 per acre for cotton, and from Rs.18 to Rs.36 per acre for jowar and the order was to collect the taxes with retrospective effect.¹⁴

A few months before the 1980 Lok Sabha elections, Urs announced several concessions to farmers and yet was firm in certain respects. Fatefully, it turned out to be a parting gift, since he later resigned his chief ministership following the defeat of his Party in the election. He announced that collection of betterment levy would be postponed wherever farmers could not take water, but rejected the demand for reducing water rates on the ground that the government realised only Rs.8 crores a year in the form of water charges, though it spent Rs.40 crores a year only on maintenance of irrigation works. Similarly, he agreed to lift sales tax on small agricultural implements such as ploughs but refused to do so in the case of tractors, bull-dozers and pesticides which the FFI had demanded. There were other concessions too: waiver of loans taken for wells if they failed; extension of time limit for waiver of penal interest on long-term loans overdue; and provision of godowns in such village panchayat for storage facilities for farmers. But he refused to lower power tariffs or to abolish purchase tax on sugarcane (since sugar prices were rising). "Referring to the demand for raising the support prices of ragi, jowar and paddy on the ground that the neighbouring States had done so, Urs felt that such persons who put forth such demands should appreciate other socio-economic steps undertaken by the government to uplift the poor",¹⁵ and correctly implied that a direct way of helping the rural poor was more effective than increasing the support prices of

14. *DH*, 29 July 1980.

15. *DH*:1 June 1979.

foodgrains in the name of the rural poor. Unfortunately, he could not do much about the problem of stabilising agricultural prices of cash crops such as cotton. In his speech at the meeting of the National Development Council in February 1979, Urs had however shown his keen awareness of farmers' problems. He referred to the frequent price slumps facing the farmers and pointed out how they do not get the benefit of higher prices of finished goods such as textiles. He said, "The middlemen take away most of the higher price paid for the final product and the farmer does not get a fair return....*It is imperative that pricing of the agricultural products is done on the same lines as that of industry and that a programme be devised to provide cheaper inputs and impart stability to agriculture at remunerative prices.*"¹⁶ (Emphasis in original.)

The active process of farmers' struggle started after the Lok Sabha elections, when the Malaprabha Neeravari Pradesh Ryota Samanvaya Samiti (Malaprabha Command Area Farmers Coordination Committee) was formed in March 1980 on a non-party basis involving prominent local leaders belonging to various parties. It included V.N. Halakatti, General Secretary for Karnataka, of the CPI-M led AIKS, who was active in the area trying to organise peasants and labourers. The State unit of the CPI-M had been making a study of farmers' problems in the area at least since early 1979 and had decided to actively support their cause. The Samiti, in March and April, was confined mostly to Navalgund taluk, but was broadened later by July 1980 to include five taluks of the Malaprabha area—Nargund, Navalgund, Ron, Soundatti and Ramdurg—the first three of Dharwad district and the remaining two of Belgaum.

The Navalgund Samiti submitted a memorandum to the new Chief Minister, Gundu Rao, in April 1980 when he visited the area, presenting a comprehensive picture of farmers' problems. The memorandum demanded a more rational and systematic management of irrigation, feeder channels, proper drainage, free land levelling for small farmers, expeditious compensation for land acquired by the government for canals, etc., a crop insurance scheme, remunerative prices for farm produce, fixing a minimum

16. Government of Karnataka, Speech of Shri D. Devaraj Urs, Chief Minister of Karnataka, at the meeting of the National Development Council, New Delhi, February 24-25, 1979, p. 23.

price of Rs.500 to Rs.800 per quintal for cotton depending on the count, other steps to prevent a price crash such as monopoly purchase by the government of commercial crops like cotton and to protect farmers against exploitation by middlemen and monopoly capital; provision of agricultural inputs at reasonable and stable prices; nationalisation of textile, jute, sugar, and chemical industries; extension of rural credit on a wider scale; debt relief to those farmers who have suffered from price crash or crop losses, in the form of postponing recoveries of earlier crop loans and issue of fresh loans to enable them to undertake cultivation; abolition of betterment levy and reduction of water rates; levy of water rates on the basis of area actually irrigated and not the size of total holdings; and elimination of the fast spreading weeds—parthenium and *Bellary Jali*—which were beyond the farmers to cope with. The memo warned that if farmers' problems continued to be neglected, they would launch a relentless struggle.

They called attention to the fact it was an area under protective irrigation, and so could not be treated on par with other areas under heavy irrigation for the purpose of water rates. Interestingly, the memo recognised the distinction between small and large farmers, and asked for a preferential treatment for the former in respect of land levelling charges. No differentiation among farmers was recognised in the later phases of farmers' movements in Karnataka. It may also be noted that no universal debt relief was asked for, but only in genuine cases of losses. The memo was remarkable for the reasoned and balanced language, and its overall perspective which covered not merely the immediate issues of the area but also farmers' problems in general, and its awareness of the exploitative role played by monopoly capital and merchants. The problems of agricultural labour, however, were ignored, but the need for public distribution of essential goods through fair price shops in rural areas was mentioned.

The farmers pursued their efforts by sending a delegation to the Revenue Minister, Bangarappa. Finding no effective response, a satyagraha was started in Nargund in June including relay hunger strikes in front of government offices. On June 30, a rally was conducted in Nargund in which nearly 10,000 farmers took part. By then an elderly Gandhian leader of the area, Rajashekhar Hoskeri, also had joined the movement.

The satyagraha completed four weeks by July 15, when a *bundh*

was also observed in Navalgund. The Samiti, now consisting of five taluks, called for a wider *bundh* in Nargund, Navalgund and Saundatti on July 21, which turned out to be the climax of the agitation. Prior to this, a detailed Press statement was made and another memorandum of 23-point demands was submitted to the Chief Minister on 8th July, which was only a reiteration of the demands made in April. The memo particularly emphasised the need for granting new crop loans immediately, extension of a public distribution system in rural areas, waiver of all irrigation levies for the first ten years of the project, and compensation for crop losses resulting from sudden release of water from the dam.

Rallies to enforce *bundhs* and close Tahsildars' offices had a massive participation in all the three places on Monday, July 21. Many tractors were mobilised for the purpose to bring farmers. The Saundatti Tahsildar, sensing the mood of the rally, agreed to close his office for the day, which averted a deterioration of the situation there. In Navalgund, the Tahsildar allowed the farmers to conduct a meeting in front of his office. When it was in progress, news came that some miscreants had damaged the tractors that were lined up behind, and farmers rushed there. Interestingly, a word was reported to have been circulated among the crowds which were getting out of control that their enemy was the Irrigation Department, and not the Revenue Department. A group went to the office of the former, and destroyed files and furniture, notwithstanding of the leaders' call to remain calm and attend the meeting. Another group set fire to a truck and a few jeeps of the Public Works Department. There was a lathi charge followed by bursting of tear gas shells. The crowds were not deterred. The police resorted to firing and a ryot fell to a bullet.

In Nargund, on the same day, the Tahsildar acted stubborn and refused to close his office. He was reported to have trod on the farmers with shoes on to enter his office, since they had barred his way by lying down there. This enraged them and they tried to enter the office but the police intervened. A Sub-Inspector of Police, posted there, got to the top of the office building and started firing with his revolver to frighten the crowd. A ryot youth was killed by a bullet. This made the crowd furious, which entered the building and killed the Sub-Inspector. They also set fire to office files and furniture, and two police jeeps and a van. Another police constable also died in the violence. By the evening, police reinforcements

came and curfew was ordered in Nargund and Navalgund.¹⁷

It is generally agreed that the outburst of violence in the two towns was not pre-planned, and the crowds had gone out of the leaders' control due to provocations by certain miscreants in Navalgund and by the tactlessness of the Tahsildar and the Police Sub-Inspector in Nargund. The events could hardly be anticipated by the leaders. Nevertheless, the fury of the crowd was a climax of the process of deepening frustrations and resentments. In terms of the momentum of the process, particularly since April, the July 21 incidents cannot be said to be an accident, but a result.

The events in the two towns, however, led to agitations all over Karnataka instantly, which continued in an intense form for over a month. They involved fairly massive participation in the form of meetings, processions and *bundhs*, which sometimes took a violent turn leading to police firing. About 20 lives were reported to have been lost in the course of violence in this period. These agitations, interestingly, were not only in support of the farmers' demands, but also against rise in consumer prices of essential commodities, particularly jowar.¹⁸ A resentment against rising consumer prices was simmering in mofussil towns for quite some time. Such towns were the most ignored by the public distribution system, and Gadag in Dharwad district took the lead in starting the anti-price-rise agitation. By an interesting coincidence, a call for *bundh* was given in Gadag on July 21, the same day which shook Nargund and Navalgund. These agitations spread in many Karnataka towns like Gadag-Betgeri, Bijapur, Koppal, Davangere, Chitradurga, Ankola, Kumta, Sirsi and Raichur. Though primarily against price rise, they also extended support to farmers' demands. They saw no contradiction in doing so, evidently because they felt that the price rise was due primarily the role of middlemen, merchants and manufacturers, who exploited both farmers and consumers. There was also discontent about the inadequacy of the

17. For this account of the July 21 incidents, I have depended—apart from newspaper reports—on V.N. Halakatti's article on 'Kisan Uprising in Karnataka', in *State and Society*, July-September 1981; a booklet *Malaprabha Ryoia Chaluvahi Mattu Nantarada Belavanigegalu* (Malaprabha farmers' agitation and subsequent developments) in Kannada by Rajanikant and Manohar, Bangalore, October 1980, and personal interviews with V.N. Halakatti and Srinivasa Gudi.

18. For a detailed place-by-place and date-wise account of these agitations, see Rajanikant and Manohar, *op. cit.*, pp. 11-14.

public distribution system. Though farmers' agitation in Malaprabha inspired the anti-price-rise stir and helped it to spread, as the *DH* then assessed, all these agitations could not be put under one heading of farmers' revolts, since the class base of the anti-price-rise stir was the low and middle income classes in urban areas.¹⁹

The widespread support for the cause of the farmers as expressed through a spate of *bundhs* and meetings all over Karnataka made Gundu Rao, the new Chief Minister, to announce a few concessions on 30 July 1980 in the form of interim relief costing Rs.85 crores. Apart from suspension of betterment levy and water rates till proper investigation, the Chief Minister announced a reduction in electricity rates for pumpsets²⁰ and in purchase tax on sugarcane, a reduction in sales tax on fertilisers from 3 to 2 per cent, removal of agricultural income-tax on dry lands, waiver of taccavi loans and moratorium on cooperative loans advanced to small farmers, waiver of penal interest on cooperative loans overdue from large farmers subject to clearance of overdues before the end of 1980, and introduction of the crop insurance scheme on a pilot basis. He announced that in respect of irrigation levies, a fresh demand would be booked after verification of all complaints, and pass-books would be issued to farmers wherein they would endorse reports of their inspection to avoid complaints of non-inspection.

In addition, several committees were announced to investigate the farmers' problems and to suggest remedies. A committee headed by the Revenue Minister, S. Bangarappa, had been appointed even earlier, whose interim report was released at the end of July 1980, recommended a fairly steep increase in support prices. This seemed to be beyond what the State government resources could permit, and even as the committee was planning to tour the State, it was reported to be disbanded. A committee headed by S.R. Bommai, leader of the Janata Party in the Assembly, was assigned the task of specifically investigating the problems of the Malaprabha region. In its interim report released in early

19. 'Two Distinct Stirs in North Karnataka', *DH*, 27 July 1980.

20. Electricity charges for pumpsets were reduced from 22 paise to 17 paise per unit for pumps of 5 hp and above, and from 20 to 15 paise per unit for pumps with lower hp. The minimum charge for them was reduced from Rs.60 to Rs.50 per hp. Subsequently, per unit charges were abolished and only per hp charges were retained on pumpsets.

September 1980, the Committee recommended fresh loans to cultivators irrespective of their arrears, compensation to ryots affected by flooding through sudden release of water, repair of field channels within 6 months, payment of compensation in land acquisition cases within 2 months of the award, settlement of cases by March 1981 where no awards were made, abolition of sales tax on agricultural implements and inputs, a 10 per cent subsidy on fertiliser prices in the State, monopoly procurement of cotton by the government as in Maharashtra, and implementation of support prices recommended by the Bangarappa Committee. The Bommai Committee did not however appear to have recommended a total abolition of betterment levy.²¹ On the ground that new concessions were announced by the government (in October 1980), the requested extension of period for submission of its final report was not granted to the Bommai Committee. The real reason appeared to be the same as in the case of the Bangarappa Committee, namely, the fear that recommendations would prove to be infeasible for the State finances and would only add to the embarrassment of the government.

THE RISE OF RUDRAPPA'S RYOTA SANGHA

Meanwhile, farmers' agitations were acquiring a wider base but the anti-price rise stir of July was not sustained. The concessions announced in July by no means pacified the farmers. The farmers in the Ghataprabha command area in Belgaum district, which is close to the Malaprabha area, complained that the problems of their area were ignored. It had some discontented sugarcane growers, who were penalised for cultivating the crop illegally since such areas were not meant for heavy irrigation.²² A fight against betterment levy suited this area too for here also, as noted above, there were irregularities in its imposition, which gave a good excuse to fight it wholesale.²³ Besides, there were other issues of mismanagement of command areas as in Malaprabha. Other irrigated regions in Karnataka—in Shimoga, Mandya and the Tungabhadra command area in Raichur and

21. As seen from Press reports, *DH*, 7 September 1980 and 17 October 1980.

22. Cf. Sachidananda Murthy, 'Malaprabha to Ghataprabha—2: Arbitrary Rate, Poor Management', *Indian Express*, October 1980.

23. See footnote 7.

Bellary districts—also got a stimulus from Malaprabha, irrespective of the issues of mismanagement. They were mainly the issues of farmers growing cash crops, who, being unable to cope with the vicissitudes of markets of such crops, sought compensation through more and more reliefs from government. Occasionally of course other issues also cropped up. For example, the farmers around Hubli in Dharwad district demanded a higher compensation for lands acquired for an industrial belt and also jobs for their children in the industrial units that would come up there.²⁴ There was also some awareness that the problems of drought prone areas were being ignored, which were in fact more severe. Srinivasa Gudi of the CPI and A. Laxmisagar of the Janata Party organised the farmers of drought prone Gulbarga and Kolar, respectively, mainly to get a greater amount of drought relief funds for their areas. But it was the farmers of the irrigated regions who dominated the struggles; other issues were hardly voiced in the common platforms of farmers.

By August 1980, Ryota Sanghas were active in Shimoga, Belgaum, Bijapur and Bellary districts, apart from Dharwad, on a non-party basis. These Ryota Sanghas had a joint meeting with the Malaprabha Farmers' Coordination Committee on 11 August, when 19 demands were drafted as being common to farmers and it was decided that a satyagraha would be launched on a more intensive basis to fight for them. Apart from the names of the leaders of Malaprabha such as R.G. Hoskeri, V.N. Halakatti and B.R. Yavgal, the list of demands bears the names of N.D. Sundaresh, General Secretary of the Sugarcane Growers Association, Shimoga, H.S. Rudrappa, President, Shimoga District Ryota Sangha, C.M. Revanasiddaiah, President, Bellary District Ryota Sangha, Kundarnad Patil of Belgaum Ryota Sangha, and others.

This new draft of demands was to become the basis of the well known charter of 19 demands presented later in October the same year, but the two were not identical. The demands made in August, however, departed even more from the 23-point demands made in April and July, marking the impact of new forces and pushing the position of leftists to that of helpless yes-men.

An unconditional release of all the arrested agitators was naturally the first demand in the new draft. But the more interesting

24. *DH*, 16 September 1980.

development was a clearer enunciation of principles for determining agricultural prices. It was made clear that agriculture could not be treated as merely a family enterprise where the labour put in by the family could be ignored. The new charter insisted that agriculture had to be treated as a commercial unit as in industry and manhours spent in agriculture had to be reckoned. The same treatment was demanded for agriculture in respect of price policy and supply of electricity and other inputs as was given to industry. In the process, the earlier emphasis on market reforms, monopoly purchase by the government to break the exploitative middlemen and even on the need for public distribution of essential goods, was sacrificed. The special problems of agricultural labour and the need for preferential treatment for small farms were ignored. The absence of any mention of agricultural labour must have been criticised subsequently, and was rectified in the demands presented in October, by which time the initiative had passed completely into the hands of Rudrappa's Sangha. The demands made in August, however, including the earlier demands for abolition of betterment levy, cancellation of water rates for lands which did not receive irrigation, and institution of crop insurance. The earlier demands for proper land development and better management of command areas were dropped, apparently because the government had already taken steps in that direction.

In several ways, the August meeting—so soon after the July events—was a transition point. It marked the transition of emphasis from area-specific issues to more general issues concerning farmers. (Though general issues were included in the April/July demands, it was the area-specific issues which had prominence.) It marked the realisation among farmers that they had an identity of interests beyond local issues, which had to be achieved on the basis of united struggles. It also marked a transition from a leadership tied to different political parties (even if they had come together on a non-party basis) to a leadership which was emerging on a more strictly non-party basis, not being members of any party at all. It also marked a transition from an ideology which was anti-monopoly and anti-private trade to an ideology of ruralism. It may be noted, however, that even earlier a leftist ideology as such was hardly allowed a dominant role in the Malaprabha agitation.

Instrumental in bringing about this transition was the entry of Rudrappa and Sundaresh, who later emerged as the leaders of the

Karnataka Rajya Ryota Sangha (KRRS) as its President and General Secretary respectively and dominated the farmers' movements in the State. Rudrappa was formerly a prominent leader of the Congress(O) and a member of the Nijalingappa cabinet in the sixties. He later retired from party politics. A sugarcane grower himself, he was for quite some time concerned about the exploitation of sugarcane growers by private sugar mills. Cheating in weightment, underestimation of recovery percentage on which prices were based, delayed payments, unauthorised charges, and bringing farmers to submission through delaying the crushing season—these were practices commonly resorted to by private mills. He wanted to establish a sugar mill on cooperative basis, a scheme with which Urs was in sympathy earlier. But thanks to the lobby of the private sugar mills, Rudrappa was not allowed to start the factory.²⁵ The only way left was to organise the sugarcane growers, and thus was born the Shimoga Kabbu Belegarara Sangha (Sugarcane Growers' Association) in 1979, not only to increase the bargaining power of the growers but also to bring pressure on the government for better prices, lower taxes and more concessions. Also organised, separately, was a district ryota sangha, meant to attend to the problems of all farmers including paddy growers, and both of these organisations were led by Rudrappa. In the wake of the Malaprabha agitation, the Ryota Sangha began to come to the fore more and more, though the sugarcane lobby continued to dominate it. Both extended their support to the Malaprabha farmers' demands and played an active role in reformulating the draft of the demands.

During this period, Narayanaswamy Naidu along with his colleagues Sivaswamy toured the State and addressed several meetings, sponsored probably by Shimoga leaders. Narrating the success of his movement in Tamil Nadu, he offered his know-how to Karnataka also. Blaming the government offices for the Malaprabha incidents, he explained how no official could enter any village in Coimbatore without previous permission of the TNAA, and called for the establishment of farmers' associations on non-caste and non-party basis. He stressed the need for office-bearers of farmers' associations to be dissociated from any political party. The stage was thus set for the establishment of a

25. As told by Rudrappa in a personal interview.

non-party sangha at the State level.

The task, however, also needed the services of M.D. Nanjundaswamy, a Professor of law, who proved to be a powerful, brainy asset to Rudrappa and his Sangha. Being a good public speaker in both Kannada and English, he established easy rapport with farmers with his arguments spiced with sarcasm and proved at the same time to be valuable in negotiating with the government. He emerged not only as the spokesman of the Sangha, but also a leader in his own right, influencing particularly its strategy as well as ideology. His ideological background has been that of Lohia socialism (shared also by N.D. Sundaresh), deeply influenced by the anti-caste, rationalist philosophy of the Periyar. He participated in the backward class movement in Karnataka supporting Havanur. He had earlier tried to launch an anti-caste, rationalist movement in Shimoga in the sixties and the seventies. He helped in organising the youth wing of the Socialist Party in Shimoga (Samajawadi Yuvajana Sabha), which is reported to have first raised the price question in Karnataka in 1968.²⁶ Later based in Bangalore, he turned his attention to providing legal advice to farmers facing attachment of movable property and other forms of harassment at the hands of officials enforcing recovery of overdue loans. Officials were attaching even utensils and other things of everyday use, which was not legal. His concern had been mainly to fight bureaucratic exploitation and corruption, which he saw as a symbol and instrument of oppression, of the rural sector. He saw an opportunity of striking at what he saw as the basic causes of rural oppression, through farmers' agitations.

The story of farmers' movements in Karnataka after August 1980 is largely—though not exclusively—the story of the KRRS and of its trinity—the elderly Rudrappa, and the younger Sundaresh and Nanjundaswamy. The KRRS was set up at the State level in August.²⁷ Their first show of strength was a massive rally in Shimoga on September 1, followed by 'Rasta Roko' in the district from early October. They stopped supply of food, fuel, milk, etc. to Shimoga and offices were picketed. The agitation was active till October 11 and nearly ten thousand courted arrest.²⁸ There was

26. As told by Nanjundaswamy in a personal interview.

27. *Ibid.*

28. For details, see G.P. Basavaraju, *Shivamogga Ryota Chaluvali* (Kannada), Samudaya Prakashan, Bangalore, 1981, p. 43.

similar unrest in other districts too; at least 12 out of 19 had active agitations in October in support of farmers' demands.²⁹ However, the agitation in Shimoga had put the others into the shade and the Trinity played the most prominent role in presenting farmers' demands to the Chief Minister, at a meeting on October 17. Gundu Rao also felt it convenient to give more prominence to them over others, as he was afraid that the purpose of the other leaders, affiliated as they were to political parties opposed to the Congress(I), was to dislodge him from power. He gave expression to this fear fairly often. Little did he realise that the KRRS too would ultimately play the same role later. He even hoped that by granting several concessions, he could placate them and thus bring the agitations to a close.

It may be noted that Kadidal Manjappa, a veteran Congressman and leader of the Karnataka Pradesh Krishak Samaj (Farmers' Forum) tried to have a coordination committee of all farmers' organisations in the State in October 1980 under his leadership. He was, however, too moderate for the liking of the KRRS. Moreover, the Krishak Samaj was regarded as a semi-official organisation enjoying government patronage; headed as it was at the national level by Balaram Jakhar, the Lok Sabha Speaker. There has been no noteworthy attempt since then to bring together all organisations of farmers and achieve coordination. A competition for domination, more than coordination, has marked the latter phase.

FARMERS' DEMANDS AND GOVERNMENT RESPONSE, 1980

The charter of demands preserved on October 17, 1980 to the Chief Minister was as follows:

- (1) Release unconditionally all farmers arrested in various movements and withdraw cases against them;
- (2) (a) Waive loans owed by farmers so far to the government, banks and cooperative societies, as they are 'artificial' loans created by the unjust levy system and low prices; (b) give fresh loans at 4% simple interest; (c) this is to be done directly without mediation of banks and cooperatives (so as to obviate farmers' expenses in acquiring loans);

29. *The Indian Express*, Editorial, 14 October 1980.

- (3) The scale of loans should keep pace with the rising expenses of cultivation;
- (4) Return all property attached and auctioned for non-payment of loans;
- (5) Abolish land revenue, and impose a tax based on output alone;³⁰ abolish betterment levy; reduce water rates to the 1972-73 level; abolish water rate for tank water and seepage water, and for lands which are not supplied with water; abolish agricultural income-tax "on farmers with no income";³¹
- (6) Remove taxes and other restrictions on the use of tractors and tractor-trailers of farmers;
- (7) Abolish purchase tax on sugarcane with effect from 1979-80;
- (8) Reduce electricity charges to 6½ paise per unit, as in the case of the Aluminium Factory; also, there should be no minimum charge;
- (9) Fix agricultural prices scientifically, based on man hours spent; meanwhile the government should buy at the following prices: jowar Rs.200 per quintal, maize Rs.150 per quintal, cotton Rs.600 to Rs.800 per quintal, wheat Rs.250 per quintal, onion Rs.100 per quintal, pulses Rs.400 to Rs.500 per quintal, and tobacco Rs.20 per kg; and, in other cases, at the prices recommended by the Bangarappa Committee;³²
- (10) The principle for price fixation is that prices should be real (as against nominal or monetary) in the sense that they should have parity with the prices of inputs and man-hours spent.

30. The socialists object to a tax on the means of production, and land being one, this demand was included out of the ideological considerations of socialists in the KRRS. If the tax is on notional output based on the expected productivity of land rather than on actual output, and if it is also graded, it would not act as a disincentive to higher production and would at the same time be more elastic and progressive, thus removing some limitations of land revenue. But it is doubtful if the KRRS favours such a system either.

31. This is so said because, according to the KRRS, prices do not cover all the costs computed as in industrial units, and therefore they have no income either.

32. These prices were as follows: paddy Rs.150, jowar Rs.130, rabi jowar Rs.150, ragi Rs.170, maize Rs.140, groundnut Rs.400, tur Rs.350, horsegram Rs.300, varalaxmi cotton Rs.600, laxmi cotton Rs.500, short staple cotton Rs.350, sugarcane Rs.250 per tonne at 8.5% recovery, tobacco Rs.18 per kg for export quality and Rs.10 per kg for domestic quality. It may be noted that the prices demanded in some cases were higher than those recommended by this committee.

There should be a watch on industrial costs and prices. The industrial prices should not exceed 1½ times the production costs, and chemical fertiliser should be supplied at the prices prevailing in 1973;

- (11) Declare agriculture as an industry, and extend all facilities enjoyed by industrial labour to agriculturists too;
- (12) Provide crop insurance throughout the State, without demanding premium from farmers;
- (13) Every farmer and farm labour should get old age pension;
- (14) Agricultural labourers should be given wages and other facilities (benefits like free houses, education, and medical aid) as in the case of industrial workers; not only right price to farmers, but also right wage to labourers should be fixed from time to time;
- (15) To reduce pressure on land, give government land to landless labour and help them in cultivating it under government supervision;
- (16) Give lands to tenants without occupancy price and give lump sum compensation to landowners;
- (17) Allocate 80 per cent of plan expenditure on village development (since that is the proportion of rural population) and set up small industries for the rural poor;
- (18) Provide travel-worthy roads in the countryside; the money collected from sugarcane cess and market fees should be spent for this purpose;
- (19) Reserve 50 per cent of seats in educational institutions and employment for farmers' children.³³

* These demands reflected a further refinement of the August demands, and a greater clarity was imparted to price issues. Whereas the problems of agricultural labour and social security were ignored earlier, they were attended to in this charter. However, there was no direct mention of the need to raise minimum wages for farm labour, and no assurance that they would be implemented. Farmers' leaders did not view the problem of wages

33. The serial order of these demands (which was not necessarily indicative of their relative importance) has been slightly changed so as to group together related demands. See the KRRS publication, *Ryota Horata Aake? (Why farmers struggle?)*, Shimoga, June 1982, pp. 3-6.

seriously, maintaining that once remunerative prices were paid to agriculture, farm wages and employment would automatically improve. As an evidence for this claim, higher wages in irrigated areas and cash crops cultivation were cited.³⁴ It was also widely remarked that in actual negotiations with the government and also in public addresses at farmers' rallies, the problems of agricultural labour were not given much attention (as happened in the case of earlier peasant movements on tenancy issues too). It was alleged that the inclusion of these demands in the charter was in response to the widespread criticism of the class basis of farmers' movements, and to show that farmers' movements were concerned with the rural sector as a whole. Demands for rural roads etc. were in this direction, though they were important also for farmers with marketable surplus and tractors. The need for public distribution system was again ignored. Interestingly, while a waiver of loans owed so far by farmers to government, banks and cooperative societies was demanded, a similar problem of small farmers and labourers' indebtedness to the richer farmers, traders and money-lenders was not even recognised. It is not surprising that the government viewed the demand for a blanket waiver of institutional loans combined with a demand for fresh loans as nothing short of audacity.

Gundu Rao announced immediate acceptance of 12 out of the 19 demands of farmers, and promised consideration of the other demands for which concurrence with the Centre and the RBI was needed. This was shortly followed by a White Paper with details of concessions and justifications for refusal.³⁵ We may present briefly the reactions of the government to the respective demands in the same serial order as above:

- (1) All those arrested are being released, except those involved in serious offences.
- (2) (a) A blanket waiver of cooperative loans and bank credit is not acceptable to the RBI, and would only result in drying up of the credit flow to farmers. A selective waiver of cooperative loans in genuine cases would be considered on the basis of the advice

34. As told in personal interviews to the author by Rudrappa and Nanjundaswamy.

35. Government of Karnataka, 'White Paper on Concessions to Farmers announced by the Government of Karnataka', Bangalore, October 29, 1980.

of a review committee set up for the purpose.³⁶ (b) Cheap credit at 4% is already being given by banks to marginal farmers. A cheaper cooperative credit would need restructuring of the whole cooperative banking system involving a national solution.

- (3) The government have urged the banks and the RBI to raise rural credit deposit ratio, stop the diversion of rural credit to urban areas, and raise the level of bank financing to agriculture. The credit norms for cooperative credit are being revised to take note of the increased cost of inputs in agriculture.
- (4) In case of genuine difficulties on account of which loans were not repaid, such property may be returned.
- (5) The government have already abolished agricultural income-tax on all crops except irrigated commercial crops and plantation crops; already, there was no land revenue on dry holdings up to 5 acres, and this was further abolished recently for holdings up to 10 acres. The White Paper said that irrigated holdings are better off as a result of public investment and should therefore make an appropriate contribution to the public exchequer, so that the proceeds can be utilised further for rural development. "Once the principle of parity between agriculture and industry is conceded, it follows that in taxation too a similar parity should be maintained", it said. A Cabinet Sub-Committee would go into the question of abolition of betterment levy (collection of which was already suspended) and reduction of water rates to the 1972-73 level and other related issues. In any case, collection of betterment levy had already been stayed in the Malaprabha and Ghataprabha areas and even elsewhere its collection as also that of water rate had been poor. There was a moratorium up to the end of December, pending verification of the reality of the situation to avoid unjust levies.
- (6) The White Paper said, the taxation on tractors was light. There was a one-time registration fee of Rs.300 and an annual tax of Rs.10 only. Since tractors are used for transport and

36. It was clarified later what such genuine cases are: crop losses continuously for three years and an economic position weak enough to indicate inability to repay loans, as attested by the village accountant and the tahsildar. Obviously farmers did not accept these criteria and requirements.

conveyance too, a collection of some extra tax for use of roads is justified as one of the sources of finance for maintenance of roads as in the case of other motor vehicles.

- (7) The purchase tax on sugarcane would be reduced from Rs.19.20 to Rs.12 per ton, and the reduction would be added to the minimum price payable for cane.
- (8) Since the tariff for the Aluminium Company was being revised upwards to reach the same level as in the case of high tension power consumers, the electricity tariff for agriculture would also be at the same rates, thus achieving parity in tariff rates between agriculture and industry. In the process, the rate for 5 hp motors was reduced from 20 paise to 15 paise per unit, and for motors with higher hp from 22 paise to 15 paise per unit. The discrimination in favour of smaller motors was thus removed. The standing charges per motor were also reduced from Rs.60 to Rs.50. This turned out to be a major concession to affluent farmers, particularly those having high power pumpsets.
- (9) The White Paper observed that the need for remunerative prices for agriculture is well recognised and the APC has already adopted a system of costing which is broadly akin to industry. Karnataka (like other States) has been fixing prices at levels higher than those recommended by the APC and the Central government. A further increase was announced for the year 1980-81, which was fairly significant, the highest proportionate increase over the preceding year being in sugarcane (see Table 4.1).
- (10) The principle of parity in price policy has been accepted. The Chief Minister supported it at the NDC meeting in Delhi in August 1980, and called for a watch on industrial prices too. It may be recalled here that the APC also takes into consideration parity in the sense of terms of trade of agriculture.
- (11) The government accepted the general principle of treating agriculture as an industry and the farm family as an 'occupational unit' for the purpose of providing benefits and facilities. The principle would be applied not only in price policy, but also in providing a package of services, in drawing block plans and for removing urban rural disparities.
- (12) The government had already introduced crop insurance on a

TABLE 4.1. Procurement/minimum support prices (Rs. per 100 Kg)

Commodity		1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
1. Paddy (common)	(a)	77	85	95	100	115	122	132
	(b)	"	"	"	105	115	122	132
	(c)	"	"	100.25 to 101	115**	125†	122	132
2. Ragi, jowar, bajra and maize	(b)	74	85	95	105	116	118	124
	(c)	74	85		105 (115 ragi)	125	118	124
3. Sugarcane (8.5% recovery)	(a)	8.5	10.0	12.5	13.0	15.5	15.5	16.0
	(b)	"	"	"	13.0	13.0	13.0	13.0
	(c)	"	"	"	16.5	21.0	18.0	18.0
4. Groundnut in shell fair average quality	(b & c)	160	175	190	206	270	295	315
5. Cotton (kapas)—average varieties like J-34, 320F	(a)	255	255	265	300	NA(††)	380	385
	(b & c)	"	"	275	304	"	380	385

(a) APC recommendation.

(b) Fixed by Central Government.

(c) Fixed by Karnataka Government.

*Includes Rs.6 towards transport.

**Includes Rs.6 for transport at storage point (Rs.5.25 for delivery at non-storage point).

†Includes a bonus of Rs.10, which was discontinued in later years.

††Not announced as market prices were higher than normal support levies.

Source: Karnataka Government White Paper on Concessions to Farmers (1980), RBI Currency and Finance Reports, newspaper reports and concerned government departments.

Note: Sugarcane prices as given above exclude reduction in purchase tax on sugarcane passed on to farmers. It amounted *per tonne* to Rs.7.20 from 1980-81 to 1982-93, and Rs.12 in 1983-84.

pilot basis in five taluks, to be gradually extended on the basis of experience. But the White Paper also observed that the principle of parity between agriculture and industry should work in insurance too and that there could be no insurance without payment of premium. It further said that in irrigated areas particularly, the farmers should have no difficulty in paying premium, and that, in fact, irrigation itself served as an insurance. It is only in dry farming that there could be difficulties for poor farmers in paying premium though needing protection. But the White Paper was silent about whether the government would provide crop insurance without premium payment in the case of such farmers. It may be incidentally noted that a scheme which equalises premia collected and indemnity paid on the whole for all crops and regions together, but not necessarily in respect of every crop separately, could be devised. Low risk and high-value crops and regions can bear to pay higher premium than what they would get in the form of indemnities over time, whereas high-risk and low-value crops and regions can get more in terms of indemnities over time than what they would pay in the form of premia.³⁷ This is to insure against climatic fluctuations, whereas market fluctuations have to be tackled differently.

- (13) The White Paper said that the government found the Provident Fund scheme more feasible than pensions for small and marginal farmers, under which a farmer has a PF account of Rs.10,000 for 20 or more years, with 90 per cent subscribed by the farmer and 10 per cent by the government, apart from 6% interest per annum on accruals. Farm labour would be brought under a group insurance scheme along with others in the unorganised sector. In addition an ex-gratia payment of Rs.5,000 would be paid for families of those workers who die in harness through accidents like snake bite and fall from a tree, or fury of nature.
- (14) The White Paper called attention to welfare programmes and provision of basic amenities under the minimum needs programmes. Apart from drinking water and free house sites,

37. See M.V. Nadkarni, 'Indian Agriculture: Part III on Stabilisation Tax Expenditure Scheme', *Economic Times*, August 14, 1982.

the government took up a massive programme of constructing one lakh houses per annum for rural labour and other weaker sections. The White Paper, however, was silent on the question of raising the minimum wages and the mechanism for ensuring their implementation. A parity in this respect too with the unorganised urban sector!

- (15) About land to the landless, the White Paper promised to launch agricultural estates wherever possible for settling families of released bonded labour, each family getting about 4 acres if they live in the estate and cultivate it. Along with cultivation, subsidiary occupations were to be developed in such estates. The government planned to develop 400 such estates of 60 acres and for 15 families each. The White Paper tactfully avoided mentioning that the ceiling legislation has been largely evaded by big farmers and that if it is implemented, more land could have been available for redistribution to the landless.
- (16) The White Paper said that lands have been granted to tenants even without payment of the first instalment of occupancy price, but that it was not possible to give lump sum compensation to landowners in one instalment alone, as it meant a huge sum which could cut into development outlays. Compensation for lands submerged through irrigation projects and such other claims, however, was to be given immediately.
- (17) The White Paper tried to show that the allocation of plan expenditure from rural areas was actually more than what meets the eye,—64 per cent of outlays had a direct bearing on rural development like those for agriculture, irrigation, and rural housing, while a good proportion of other outlays too benefited rural development. The inter-connections are such that rural areas benefit from outlays which may not be specifically labelled after them; but this is true with respect to urban areas also, since they too benefit through investment in agriculture and irrigation. The White Paper indeed conceded the need to improve rural amenities and for a “gradual urbanisation of rural villages” (p. 33). It also drew attention to the efforts to start small and village industries and the Employment Affirmation Scheme to provide employment in rural areas. While a mechanical allocation of plan outlays on

rural-urban basis according to distribution of population may be questionable particularly in a dynamic context where this distribution is itself expected to change, the need for greater allocation for improving the quality of life of the rural population is indisputable. There is urgent need to identify gaps and remove them in a meaningful way. Mere provision of one electric connection in a village does not make it 'electrified', just as the provision of one borewell may not solve the problem of drinking water in a village. In terms of such head counts, rural development may well be meeting plan targets fast enough. Obviously, it needs to be more meaningful.

- (18) Admitting that there is urgent need for improving rural roads, particularly market roads, and citing increasing plan outlays for the purpose, the White Paper at the same time pointed out that the resources for this have to come from sources other than sugarcane cess and market fees. Sugarcane cess was not in operation and market fees are needed for setting up more markets and improving the market infrastructure.
- (19) The White Paper pointed out that a reservation of 15 per cent of seats was already made for farmers' sons in Agricultural Colleges; in other cases, changing the reservation policy (from the present one based on backwardness of caste and for scheduled castes and scheduled tribes) needed detailed examination, and therefore was entrusted to an expert committee.

The response of the government has been presented here in some detail point by point, because of its significance and also because there have been extreme views about it. On the one hand, a few Press reporters and others interpreted it as a bonanza for farmers³⁸ or a surrender to them; on the other hand, a few close to the farmers' view have interpreted it as holding no gain for them.

There indeed was a significant gain for farmers in respect of prices, since the State government announced substantially higher prices in 1980-81, which was instrumental in reversing the adverse relative price movements in the preceding years. Since fertiliser prices were also increased, some increase in farm prices was

38. See, for example, H. Kusumakar, 'Karnataka Farmers Harvest Bonanza', *The Times of India*, 24 October 1980.

imperative. But if acceptance of the parity principle in pricing and fixation of prices higher than those recommended by the APC and the Centre are to be considered as a surrender to farmers, it may be noted that it was not unique to Karnataka and the parity principle was accepted even by the APC itself. In an inflationary situation led by the manufacturing sector, if it is not so done, it benefits neither the farmer nor the consumer but only the middleman, as aptly pointed out to the Press by Dr. D.M. Nanjundappa, Planning Secretary in Karnataka at the time.³⁹ The problem of insecurity of prices above the support levels and the need for market reforms was, however, hardly attended to in depth either by farmers or the government. Monopoly purchase of cotton or other agricultural goods by the government was ruled out as infeasible. Keeping procurement and support prices in parity with prices of goods purchased by farmers was considered as the only feasible solution.

The major thrust of concessions went in favour of the sugarcane growers, reflecting clearly the greater pressure from the KRRS and Gundu Rao's eagerness to placate them. They received not only the highest gain in terms of price rise, but also a substantial relief in terms of reduction in electricity charges. Subsequently, per unit charges were removed and only the per hp charges were retained, providing still further relief.

Though the decision on the abolition of betterment levy was not taken in October, it had to be abolished by December 1980, following bitter opposition from farmers in the Malaprabha area. The government did not, however, yield in respect of the other demands which agitated the minds of mainly affluent farmers—reduction in water rates to the 1972-73 level, complete abolition of agricultural income-tax and taxes on tractors and other farm machinery, waiver of all cooperative and bank loans and grant of fresh loans at 4 per cent interest to all farmers without differentiation, lump sum payment to landlords who lost land to tenants, and reservation of 50 per cent of seats to farmers' children in admissions to educational institutions and government jobs. The refusal of such demands, by itself, could not have the potential of unleashing further massive agitations, particularly when major concessions in the form of higher procurement and support prices and reduction in electricity charges were granted. Moreover, the

39. *The Hindu*, 1 November 1980.

government justified this refusal on the ground of resource requirements for rural development in general and for new welfare programmes started for the rural poor. Even if inadequate, considering the total need, and even if not effective in removing rural poverty, it marked a major step-up in welfare efforts which could not be easily ignored. On the whole, the government tried to play the role of balancing various interests, though tilting more in favour of farmers with irrigation and power—power in more sense than one. After all it was they who were negotiating with the government.

POST-1980 ISSUES AND DEVELOPMENTS

The rise of the KRRS as a strong alternative force among farmers made the Malaprabha leaders reassert their claim to lead farmers' movements in the State. The left and democratic political parties—Congress (U), CPI, CPI-M and Lok Dal—organised themselves into a Progressive Democratic Front (PDF) at the political level and constituted a farmers' organisation, the Karnataka Pranta Ryota Sangha (KPRS),⁴⁰ to meet the challenge of what they considered as the Kulak-led farmers' movement. As Halakatti expressed, "The Sangha (KPRS) resolved to take the initiative to consolidate the gains of the State-wide upsurge and to keep the kisan movement alive through action programmes, while exposing the real intentions of the Kulak leaders of Shimoga."⁴¹ The Janata and the BJP kept themselves out of this, though they pledged support to farmers' demands. The PDF organised a farmers' rally in Bangalore on 12 December 1980, in which about 45,000 farmers and industrial workers participated. The PDF also formulated a 12-point New Deal for farmers and decided to lead a Jatha (long march) from Nargund to Bangalore—a distance of about 550 km, beginning on January 16, 1981 carrying a Malaprabha Martyrs' Torch. The example of Dindi led by the left and democratic opposition in Maharashtra in December 1980 obviously gave them a boost. Rudrappa is reported to have given a call to his followers to boycott the Jatha in Karnataka. The KRRS

40. But the farmers' organisations under the respective parties, which were affiliated to all-India organisations such as the AIKS and the FFI, kept their identity separate.

41. Cf. V.N. Halakatti, *op. cit.* (fn 17), p. 21.

did not want farmers' movements to be led by political parties at all. The rift between the two mainstreams of farmers' movements thus came into the open, and from then on, there was to be a relentless competition between the two.

The New Deal, of course, consisted broadly of demands made in October, particularly in respect of price policy, but also made certain important departures. It called for an immediate waiver of outstanding loans only in the case of small and marginal farmers, but a moratorium on the loans of others pending a restructuring of the agricultural credit system so as to be linked to remunerative prices and providing loans at an interest not more than 6 per cent per annum. Instead of uniform water rates for all lands, the New Deal called for a differentiation based on the type of land as specified in the land reform legislation. It also demanded minimum wages of Rs. 10 per day for agricultural labour and a comprehensive welfare scheme for them including confirmation of lands under unauthorised cultivation by them and grant of land to the landless. It also called for an employment scheme ensuring a regular job for at least one member of each family.

The Jatha drew support from industrial workers too, as one of its motives was to show that industrial workers support farmers' demands and to establish peasant-worker unity. The Jatha had a wide participation of both farmers and workers, and the latter took the responsibility of providing the farmer with food packets when they passed through industrial townships and also in Bangalore. Even in other places, villagers spontaneously provided food to them on their way. The Jatha reached the Vidhana Soudhain Bangalore on 5th February 1981. It was a splendid show with a massive participation of both farmers and workers. The PDF leaders presented their memorandum to the Chief Minister Gundu Rao, but he refused to see the farmers and even dubbed them as 'Baadige Ryataru'—not genuine farmers but hired to pretend so. About a thousand farmers surrounded the Vidhana Soudha demanding an apology, but were removed by the police. Gundu Rao had always treated the PDF leaders as politicians interested in ousting him from power, and not as farmers' leaders.

Meanwhile attention was diverted to the Nipani agitation in Belgaum district, in which, however, neither the PDF nor the KRRS participated, verbal support apart. Nipani did not even stimulate farmers' leaders to identify such instances of exploitation of farmers

by merchants and launch struggle against it. Even Naidu had launched struggles to evict commissions agents from regulated markets as noted in the preceding chapter. Such instances are not heard of in Karnataka. The only interesting exception to this was in 1979, which however, did not occur as a part of the agitations since they were launched later. When cotton growers in Soundatti found that traders in regulated markets there quoted about Rs. 150 less per quintal for cotton than a cooperative spinning mill at Gadag, they not only sold their produce to the Gadag mill defying local traders, but also decided to set up their own cooperative mill.⁴²

The Nipani agitation, however, was a moral booster and made the agitations in support of the 12-point or 19-point demands, as the case may be, more intensive. Sharad Joshi also toured several areas addressing meetings. However, neither the KRRS nor the PDF took him close enough. The former had closer relations with Naidu and his TNAA, but after he formed his own political party, these relations cooled off. The KRRS is critical of Joshi also on the ground that his movement is on a one-point programme lacking a wider perspective; he was suspected to be close to certain groups within the ruling Congress(I), which was not to the liking of the KRRS. In any case, non-party farmers' leaders in Karnataka do not seem to feel the need to link up with a national organisation and launch movements on issues that need attention at the national level. They seem to be wary of any affiliation. On the other hand, the left and democratic opposition which was at the back of the PDF, was ideologically and politically opposed to Sharad Joshi just as in Maharashtra.

After the Jatha led by the PDF, its rival—the KRRS—spared no pains in gaining control over the farmers' movements in the State. It not only widened its base much beyond Shimoga spatially, but strengthened its hold on almost all sections of farmers wherever it gained a foothold. Broadly, the PDF had a base in north Karnataka including Hyderabad Karnataka, parts of drought prone South Karnataka, and Coastal Karnataka, whereas the KRRS was—and still is—largely confined to Malnad and the more developed parts of the interior south. But the latter's strength is more than what is indicated by its spatial base, because of the initiatives it took on launching agitations almost continuously and the control it gained

42. *DH*, 8th August 1980.

thereby over the State politics. It organised a massive rally of over two lakh farmers—4 lakh according to some reports—on October 2, 1982, which was a convincing show of strength as a mass organisation. When the Assembly elections were declared for January 1983, it took a neutral stand for quite some time and forbade its members from participating in electioneering or standing for elections. On this issue, a sizeable section of it resigned to form a separate farmers' organisation, the Karnataka Farmers' and Farm Workers' Association, under the leadership of C.M. Reveanasiddaiah of Bellary. They wanted to support the opposition alliance in defeating the Congress(I); it was also probably an outcome of the leadership struggle within the KRRS. Just a few days before the election, i.e. on 27 December 1982, the KRRS issued a call to overthrow the Gundu Rao government, yielding to pressure from within and outside.

This call could, of course, have tilted the scales in favour of the opposition. But even otherwise, there can be no dispute about the fact that one of the important factors behind the defeat of Gundu Rao government in the elections was the farmers' movements in the State, in addition of course to the brutality with which the police handled the agitations, harassment by bureaucracy, and the ruling party's image of being corrupt. After the election, it was mainly the KRRS which was left to fight the establishment. The parties which had earlier constituted the PDF wanted to see that the Janata-led Ministry of Ramakrishna Hegde survived, and preferred to fight for farmers' interests from within rather than through open agitations. But the central place of the KRRS in farmers' movements today cannot be attributed only to the walkover given to it by the PDF in agitations. There are obviously other factors—partly the type of issues the former took up, and partly the determined thrust of the elite farmers to wrest the initiative into their hands.

The problems of sugarcane growers have provided an important plank for the KRRS, and have dominated the farmers' movements after Malaprabha. The hard core of the KRRS also consisted of sugarcane growers initially from Shimoga and then from Mandya. This may sound surprising if we consider the fact that the area under sugarcane as a proportion of net sown area was a mere 1.7 per cent in the State as a whole in 1981-82, and even in Shimoga and Mandya districts only 2.5 and 13.0 per cent respectively, during the same year. Even as a proportion of the total number of holdings,

sugarcane holdings are not likely to be much more prominent than in area. Though they are usually smaller than dry holdings on an average, only a fraction of small holdings grow sugarcane. In a Benchmark Survey (1979-80) of villages in Mandya district conducted by the ISEC, it was found that even in the three villages where sugarcane cultivation was relatively prominent, only 29 out of 150 sample holdings, i.e., 19 per cent, cultivated this crop, and the area under the crop was only 18 per cent of the total operated area.

The bulk of the sugarcane growers are generally small, and there is considerable inequity among them. In the three sample villages referred to above, 21 growers (72.5 per cent of sugarcane growers) each had less than a hectare of area under sugarcane and together accounted for only 37.7 per cent of area under the crop. At the other end, only 3 growers (10.3 per cent) each had 2 hectares or more area under the crop and accounted for 39 per cent of its total area. The sugarcane area under individual holdings ranged from 0.16 to 4 hectares in the three villages, the average being 0.84 hectares.⁴³ This author's field visits in Shimoga and Mandya districts also showed that though the bulk of the sugarcane holdings were small, it was not uncommon to find growers cultivating over 2 hectares under sugarcane.

It must be appreciated that even 2 hectares under sugarcane is a substantial source of income compared with other crops. One hectare under sugarcane (planted) provided a net return of Rs.10,835 over variable costs and Rs.4,915 over all costs on an average in the State—all costs inclusive of imputed rent, managerial family labour, risk premium, interest, and depreciation. In Mandya, the return was still higher.⁴⁴

Taking all holdings, whether growing sugarcane or not, we may see how this crop is located. Table 4.2 here presents the share of small, middle and large holdings (defined respectively as those below 2 hectares, from 2 to 10 hectares and above 10 hectares) in areas under sugarcane in Karnataka, Shimoga and Mandya, as

43. Thanks are due to H.G. Hanumappa and his colleagues in the Sericulture Evaluation Project for the data. The three villages referred to here are H.H. Koppalu, Hebbalu and Talagavadi.

44. Cf. Farm Management Division, Karnataka State Department of Agriculture, *Report on Regionwise Cost of Cultivation for 1980-81*, Bangalore, 1982, pp. 108-9.

TABLE 4.2. Share(s) of small, middle and large holding in area under sugarcane

	Karnataka	Shimoga	Mandya
<i>Share (%) in sugarcane area of:</i>			
Small holdings	25.3	32.5	44.5
Middle holdings	54.0	56.7	50.7
Large holdings	20.7	10.8	4.7
<i>Ratio of share in sugarcane area over share in total area:</i>			
Small holdings	1.62	3.61	2.49
Middle holdings	1.02	1.19	0.78
Large holdings	0.65	0.25	0.17
<i>Ratio of share in sugar-cane area over shares in the total number of holdings:</i>			
Small holdings	0.47	0.97	0.81
Middle holdings	1.36	1.07	1.30
Large holdings	3.34	0.81	0.78

(Small—Below 2 hectares;
Middle—2 to 10 hectares;
Large—Above 10 hectares).

Source: Census of Agricultural Holdings in Karnataka, 1970-71.

Note: The data relate to operational—not ownership—holdings, and cover all holdings whether growing sugarcane or not.

taken from the 1970-71 CAH. A similar break-up from the 1976-77 CAH is not available. The shares in sugarcane area are compared with the shares in the total operated area and in the total number of holdings by expressing them as ratios.

It is clear from the table that the share of middle holdings is the highest, which is also greater than their share in number. Together with large holdings, they control the bulk of the area under sugarcane. The only consoling factor is that the area under sugarcane is more equitably distributed than the total operated area. This is seen from the fact that the share of small holdings in sugarcane area is higher than their share in the total operated area, the ratios being much higher than 1, particularly in the two districts. But the inequity is still there because the share of small holdings in sugarcane area is less than their share in number. In the State as a whole, the large holdings have a much higher concentration, the ratio being 3.34, though in Shimoga and Mandya, they have a lower share. However, if middle and large holdings are combined, they have a large share in sugarcane area than their number even in these

two districts, though the concentration is less than in the State on a whole. However, the bulk of the sugarcane growers are small and they provide the mass support for the sugarcane lobby, though the benefits of their struggles reach larger growers. Even the small sugarcane growers are better off than others including paddy growers with the same size of holdings. A cornering of benefits of farmers' movements by sugarcane growers is, therefore, hardly equitable.

Sugarcane has been one of the most profitable crops, with comparatively little uncertainty about its yields or prices. The tendency of farmers has traditionally been to shift to sugarcane cultivation with the introduction of irrigation, unless disallowed by command area administrations. Even with the introduction of new technology in other crops, sugarcane has continued to be attractive to growers. Assured and favourable prices have played an important role in this. The Government of India announces minimum support prices, and usually the State governments announce them at higher levels. The latter have no statutory power to enforce the prices suggested by them, since the sugar factories are under obligation to pay only the minimum price as fixed by the Centre. However, it helps in putting pressure on sugar factories to pay higher prices to growers, because otherwise they may pay only the minimum prices. Karnataka has been no exception to this, and as can be seen from Table 4.1, the highest proportionate increase in prices fixed by it has been in sugarcane, at least up to 1981-82.

As a result of assured and favourable prices, the area under sugarcane has increased not only in Karnataka, but in India as a whole and in the two other States, Maharashtra and Tamil Nadu, where also the sugarcane lobby is an important factor in farmers' movements. This is seen from Table 4.3. As a result of this increase in area and consequently in sugar output, the industry was burdened with record stocks of about 6.1 million tonnes at the end of July 1983 at the national level, which was 2.8 million tonnes more than in the preceding year.⁴⁵ Since this trend had started much earlier, the Government of India tried to counter it by announcing its support prices at lower levels than those recommended by the

45. Cf. *EPW*, 3-10 September 1983, p. 1545. The stock levels declined subsequently to 4.4 million tonnes by the end of June 1984, due to a decline in sugar output. Cf. *DH*, 25 July 1984.

TABLE 4.3: Area under sugarcane (in '000 hectares)

Year	All-India	Karnataka	Maharashtra	Tamil Nadu
1955-56	1,847	47	88	49
1960-61	2,415	72	155	81
1970-71	2,615	97	217	135
1980-81	2,667	156	255	183
1981-82*	3,192	168	297	189

*Provisional.

Source: Government of India. *Area, Production and Yield of Crops, and Agricultural Situation in India*, Various volumes.

APC, though it meant a departure from its usual practice. But the State governments including the Government of Karnataka announced them at even higher levels than those recommended by the APC. The sugar mills reacted not only by postponing full payment, but also by delaying the crushing season and ending it prematurely. A price higher than that fixed by the Centre had also created its own difficulties. The distribution of sugar is under Central jurisdiction, and the price of levy sugar is linked with the support price fixed by the Centre and not as fixed by the States. Moreover, market forces too were such that apart from the constraints on exporting more in the world market due to the quota system, the difference between levy price and open market price was not significant enough to lift the industry out of the crisis.

In Karnataka too, the overproduction of sugarcane had the same repercussions. The government fixed the price in 1981-82 at such an artificially high level that it was forced to make it realistic by lowering it to Rs.180 per tonne from the preceding year's level of Rs.210 per tonne (at 8.5 per cent recovery). The sugar mills simply postponed the full payment of the price, which resulted in huge arrears amounting at least to Rs.4 crores at the end of the 1981-82 season. Adjustment to the realities of the market forces started afterwards. The sugar mills which on the average had to pay Rs.224 per tonne in 1981-82 (at an average recovery level of 10.1 per cent), paid only Rs.194 per tonne in 1982-83 and Rs.190 per tonne in 1983-84 (at average recovery levels of 10.2 and 10.5 per cent respectively). In spite of slightly increasing recovery levels, the average prices had to come down. But the arrears owed by mills also

came down to about Rupees one crore at the end of the 1983-84 season.⁴⁶

The farmers naturally do not want any decrease in prices, nor any arrears. They have of course suggested a few solutions. One of their suggestions was that instead of making a full payment in cash, a part could be in terms of sugar itself. The State government and the mills have pleaded inability in this regard because distribution of sugar is under the control of the Central government. The mills, however, have some freedom in respect of output above the levy quota, but they are not interested in flooding the market with more sugar, as it could lead to a price crash. Moreover, the levy being 65 per cent of output, this freedom itself is restricted. Farmers of course blame the industry for mismanagement or for cornering of profit and monopolistic practices which they consider to be the primary cause of their difficulties. They point to the considerable profitability of the by-products of the industry, particularly alcohol, which should have enabled the industry to pay off arrears and even pay a higher price for sugarcane without having to raise sugar prices. They also point out that there is scope for diversification of activities by sugar mills to take advantage of all by-products and related industries. Even in the matter of sugar-based industries like sweets and chocolates, Karnataka mills have not taken the initiative in exploiting the market for them. Sugar mills in Maharashtra have shown the potential of becoming rural growth centres, but in Karnataka they have not been as enterprising. Some of the mills have been using outdated machinery and processes, resulting in low recovery. The farmers are thus deprived of a higher price which they could have got through a higher recovery. They have, therefore, demanded the take-over of at least the inefficient and unenterprising sugar mills by the government. But this could also mean that in such cases the government would be obliged to purchase whatever is offered by farmers at prices which are continuously raised by the farmers' lobby. Understandably, the Hegde government instead offered help to farmers if they came forward to take over mills on a cooperative basis. Ironically, out of 23 working mills, 13 are already in the cooperative sector, and, except for the bright example of the Sankeshwar mill in Belgaum district, most of

46. Thanks are due to Sudhir Krishna, Director of Sugar, Karnataka, for the information on average prices and arrears.

them were running at loss and had found it difficult to pay off farmers' arrears.

These difficulties have not deterred farmers' leaders from asking a higher price for sugarcane in the State. In August 1983, they demanded a price of Rs.228.40 per tonne at 8.5 per cent recovery for the 1983-84 season, and appointment of 'Farmers' Administrative Boards' on Tungabhadra, Chamundeshwari and Salarjung sugar factories, in addition to clearance of all dues to farmers. The farmers staged a dharna at the Vidhana Soudha to press these demands. The dharna lasted for nearly 8 days before it was cleared by the police. The government subsequently reached an agreement with the KRRS and consented to take further steps to clear farmers' dues and to pay in one instalment Rs.180 per tonne at 8.5 per cent recovery for the 1983-84 season as advance, plus Rs.12 per tonne collected as purchase tax. The final price of 1983-84 was to be fixed taking into account the prices of levy sugar and open market sugar, as also the increased price of inputs. The government was also reported to have agreed to take over the three sugar factories mentioned above for their rehabilitation.⁴⁷ The major need in sugar industry is its rationalisation, the benefits of which can be passed on to growers, without sacrificing the consumer interests. At the same time, care would have to be taken to avoid a glut which could affect growers too, in addition to the sugar industry itself.

Another major issue which the KRRS took up actively was the harassment of farmers by officials for loan recovery. Loans overdue are a logical corollary of payment arrears, though the problem is not confined to sugarcane growers alone. It had been the practice of officials to deliberately humiliate defaulters by such means as public announcement of defaulters' names in village lanes with the help of drummers and attachment of utensils of everyday use, so that the fear of such humiliation may force them to repay loans regularly. It was mainly to prevent such harassment that farmers put up boards at entry points of villages asking officials and 'corrupt politicians' not to enter villages without permission. The farmers not only stopped harassment by officials in areas where the KRRS had a strong hold, but even launched a counter-seizure of property of those officers who they thought were corrupt, in addition to recovering properties attached for non-payment of loans. This

47. *DH*, 20 August 1983.

issue had come up in 1981 and 1982, and the Gundu Rao government reacted with force, arresting and prosecuting farmers for trespass and robbery, and using lathi charge and police firing against agitationists who turned violent. Thanks to the tough resistance of farmers, officials could no longer resort to such crude practices.

The question of the mounting overdues, too, had to be faced by the Hegde government. The farmers staged a symbolic dharna on the footsteps of the Vidhana Soudha in February 1983, during the second month of the Hegde ministry, protesting against court summons and auction of their property for defaulting loans, and asking the government to withdraw all cases against ryots and suspend loan recoveries. While not accepting in principle the demand for writing off the loans, the Hegde government gave more time and offered to advance new loans and waive the arrears of interest, provided that at least the principal amount was repaid before 30 June 1983. The government also at the same time put pressure on the sugar mills to reduce arrears due to farmers. These measures had more than the expected result. About 7.62 lakh farmers all over the State repaid loans of Rs. 118.97 crores, out of a total of Rs. 175 crores, before the time limit, and obtained a waiver of interest amounting to Rs. 27.19 crores.⁴⁸ This showed that many farmers were keen that the future flow of credit should not dry up. As promised, the recoveries were ploughed back as new loans to farmers who repaid, the waiver of interest arrears being an extra bonus. Others, however, did not repay and continued to pose problems, particularly in areas where the KRRS dominated. The government announced tough measures including taking over of land from the defaulting farmers.⁴⁹ The tough stand was one of the important factors behind the major 'Rail-Rasta-Roko' stir in January 1984. Another chance was given, however, to only marginal and small farmers to repay their overdues before the end

48. Loans repaid and waiver of interest figures as from Karnataka Government, *A Year of Achievements—1983*, and total demand as from *DH*, 2 July 1983.

49. Cf Statement by Minister for Cooperation, *DH*, 29 December 1983. The problem of recovery from big farmers continued and the Minister announced that Deputy Commissioners will be empowered to take over defaulters' lands and auction them. See *DH*, 22 June 1984. Since auctioning of land in village—particularly if it belonged to big farmers—is not feasible, it is more meaningful to redistribute it to marginal farmers and the landless.

of March 1984, so as to enjoy a waiver of interest arrears and get fresh loans.

The KRRS concerned itself not merely with the prevention of harassment, but also with the stopping of recoveries. This made the enforcement of law on the defaulters rather inevitable, which could as well be construed as harassment. It was not only on the ground that farmers' indebtedness was a product of unfair prices, unjust procurement at lower than market prices and delayed payments as in sugarcane that they wanted all overdues to be written off, but also on the ground that the government let off defaulters from the urban elite more easily. Nanjundaswamy, pointed out several cases to prove this point.⁵⁰ He further pointed out that of the loans officially outstanding against farmers, nearly 40 per cent never reached them, having been misappropriated by employees of cooperative banks.⁵¹

These indeed are important points and emphasise the need for greater discipline in loan management and recovery in the case of the non-agricultural sector, and a corruption-free and efficient credit system for agriculture. Moreover, difficulties of small farmers in repaying loans on account of exogenous factors like crop losses and price crash, do need to be considered. But a universal or indiscriminate waiver would pose problems for any credit system, demoralising even those who otherwise would have regularly repaid their loans. Understandably, the government took a tough stand, more so because the RBI could not approve of it, and the government could not raise resources of its own to run any credit system where repayment was not supposed to be essential by borrowers. However, *taccavi* and half of the land improvement loans were waived, but repayment of cooperative and bank loans was insisted upon.

Interestingly, the Karnataka government had not announced a waiver even in the case of small and marginal farmers as M.G. Ramachandran did in Tamil Nadu, though there had been ministerial assurances about officials being relatively soft on them in legal proceedings and attachment of property. In practice, the reverse seems to be true, as officials generally are afraid of severe

50. For example, the RBI is reported to have recently written off Rs.235 crores given as loans to film producers. Cf. *DH*, 14 June 1983.

51. *DH*, 6 July 1983.

reaction if they proceed against middle and large farmers.⁵² This is also consistent with the official statements to the effect that most of the overdues concerned mainly the middle and large farmers.⁵³ The official view seems to be that even in the case of the weaker sections, a certain amount of discipline has to be inculcated in them about repayment of institutional credit, but welfare schemes can be started and job guarantees can be given to help the really weak, since loan waivers are no solution to their problem. Loan waivers can only be *ad hoc* solutions discriminatingly administered in disaster-type cases, but cannot be a solution to the wider problem of poverty. Nevertheless, strictness in the case of small or weaker sections and softness and hesitation in the case of the better off would have a far more disastrous effect on the morale of the borrowers and on the credit system. An equitable treatment is needed not only within agriculture, but also between sectors in this respect.

Paddy growers, who are generally small and middle farmers, have also provided a base for KRRS. Their discontent is about the levy system combined with restrictions on inter-district movement of paddy which depresses paddy prices in surplus districts. Karnataka was one of the last States to give up the system of levy on paddy growers and it followed this policy till 1981. Under this system, there was a graded levy, with exemptions for holdings with less than 1 irrigated acre or 2½ rainfed acres under paddy. The essence of the levy system is that levy price is lower than the market price, even at harvest time, causing discontent and a feeling of being deprived. Disputes arose particularly when crop losses occurred. To avert this bitterness, a system of levy on millers and traders was adopted. A levy on millers is also more convenient to administer.

52. The author came across a marginal farmer in a small village (Kodlu) in Tirthahalli taluk of Shimoga district, who took a loan from a commercial bank to buy a buffalo which succumbed to a sudden illness, and he could not repay. When the buffalo fell ill, no prompt veterinary aid could be available, and when it died, the busy doctor when approached had no time to visit this out-of-the-way village to certify about its death in time, according to the farmer. After a few notices bank officials searched his house and attached a few bages of paddy which he had kept for personal consumption. The bags were released after the village Ryota Sangha intervened.

53. The Cooperatives Minister, R.C. Jalappa, said that 60 per cent of arrears are due from farmers owning over 10 acres of land or over 5 acres of wet or irrigated land. *DH*, 29 November 1983.

compared with a levy on far more numerous growers. But it need not necessarily be convenient to growers. Almost all millers are also traders and have a firm hold on paddy growers through forward purchase combined with consumer loans. About 70 to 80 per cent of marketable surplus of paddy seems to be covered by such forward purchases by millers in Shimoga. Though the levy is formally on millers who have to give 50 per cent of paddy milled to the government at the levy prices, the incidence is passed on to growers, and this is not necessarily restricted to 50 per cent of the paddy brought. Farmers can of course get milled 5 quintals per month per grower for own consumption without being subjected to the levy, but this is subject to clearance of paddy by village accountants under their certification. It gives enormous power to petty officials over growers and there is scope for bribery even to get a legitimate clearance, something which is very much within their right and for their own output, and not for seeking charity, loan and the like.

Moreover, it has to be noted that very often paddy is treated as a cash crop by small growers, who sell it to meet their cash needs—to settle petty debts and purchase coarse cereals. Even if all the paddy grown is not so sold, there is evidence that a good part of the output is sold even by small paddy growers. Since paddy marketing is dominated by millers and small growers are otherwise also under their obligation due to forward purchase or consumer debt, they get only the levy price on paddy sales to millers and not the open market price. The paddy growers do not seem to be interested in demanding the nationalisation of rice mills, as they believe that the levy system is the source all the troubles they face, which they want to be abolished. If the government is interested in feeding city dwellers with a fine quality of rice at subsidised prices, they feel that the cost should not be imposed on the farmers. The cost is not only in terms of lower price but also harassment at the hands of even petty officials. The alternative suggested by them is that the levy system and restrictions on movement of paddy should be completely abolished, and the procurement should be at open market prices, subject to a minimum support price linked with the cost of production and parity.⁵⁴

54. The account given in this and the preceding para is based on the author's personal interviews with paddy growers in Shimoga district, leaders of farmers'

It must be noted, however, that the lion's share of the attention of agitationists has gone to the problems of sugarcane growers and overdue loans, rather than to paddy growers' problems. There has been little change in the system after the mill-point and trader levy was imposed. The Food Minister recently announced that it was not possible for the State government to abolish the levy at mill point as it was a Central policy, without indicating whether the former favoured or was opposed to such a levy (*DH*, 10 November 1984). An important achievement of the farmers' lobby, however, has been a relaxation in the restrictions on the movement of paddy within the State. According to the new arrangement announced in March 1983, the State was divided into five paddy zones within which free flow of paddy was to be allowed but not between zones. Each zone comprised both surplus and deficit districts.⁵⁵ By November 1984, seven paddy zones were reported to have been created (*DH*, 10 November 1984). However, in practice, inter-zone movement of paddy seems to be relatively free. The government is strict mainly in respect of movements outside the State. The relaxation of restrictions within the State was intended to reduce the differences in farm harvest prices of paddy as between deficit and surplus districts.

The KRRS also took up other issues which boosted its image among environmentalists. It has opposed the drive of commercial interests to expand the area under *eucalyptus* for use by the paper and pulp industry and demanded the promotion of trees which are of relevance to farmers and other rural sections. It has been feared that growing *eucalyptus* in semi-arid areas would reduce soil fertility in the long run, and in the short run itself reduce the availability of fuel, fruit and fodder to local population. Even seasonal employment could be adversely affected. The KRRS wanted this trend to be halted in favour of a forest development complementing agriculture and meeting local needs.

Late in 1982, the KRRS took up another such issue which made headlines. In the villages of Kanakpura taluk near Bangalore,

movements, a few procurement officers, and also with the Director and Jt. Director of Food and Civil Supplies, Bangalore. Since the account given here is based on a totality of impressions gathered, the interviewed officers are not responsible for the views expressed here.

55. Cf. statement by Food and Civil Supplies Minister, G. Basavannappa, *DH*, 14 March 1983.

granite was extracted and exported with absolutely no benefit to the villages concerned. Farmers stopped the transportation of granite till the quarry owners paid royalties for village improvement, in addition to paying dues to the government. The agitation was symbolic of the resolve of farmers to prevent the loot of rural resources at throwaway prices for the benefit of a few affluent people in urban areas. The leaders of the KRRS also gave a call to farmers elsewhere to stop transportation of natural resources like sand, granite and timber, and demanded their nationalisation and exploitation in a more rational manner so as to preserve the environment and bring benefits to rural people.⁵⁶

The KRRS followed this up to have a constructive dimension to its activities by setting up Gram Swarajya Samitis (Committees for Village Self-Reliance) to promote the use of local resources for village betterment and regulate their urban use. Royalties were demanded for the Samitis if such resources were to be exploited; it was also demanded that the Samiti's permission should be obtained about the quantum of use.⁵⁷ However, in actual practice, the idea did not spread much, and even in the strongholds of the KRRS one does not see much of these Samitis. Though such Samitis did not often formally exist, the village and taluk Ryota Sanghas took interest in promoting and implementing the official development programmes. They kept a watch on government officials to see to it that they did not resort to corrupt practices while implementing rural development programmes. There have been instances where officials were forced to return bribe money taken from villagers.⁵⁸ Sometimes, they identified village needs like roads, school buildings and drinking water, and used their organised strength to get these schemes approved and implemented by the government without delay. Even people's courts were set up in a few areas,

56. 'Kanakapura Ryots Launch Chipko-type Stir', *DH*, 16 November 1982.

57. M.D. Nanjundaswamy claimed that within two months of the Kanakapura agitation, Rs. 18 lakhs was collected by samitis in the taluk alone as royalty on local minerals siphoned off by contractors. He said the samitis would check reckless devastation of natural resources which had led to ecological imbalance. Cf. *DH*, 11 June 1983.

58. See for example, a news item from Hoskote about a Panchayat secretary returning such bribe money; *DH*, 15 June 1983. About a thousand members of the KRRS marched to an RMC yard in Madhugiri in protest against tardy working in government offices and fraudulent practices in RMC yard; *DH*, 28 November 1983.

particularly in Hassan, to check corruption and lethargy in administration at local levels, particularly during 1982-83. Though this has been effective in improving efficiency, there have also been allegations of harassment on mere suspicion and high-handedness, often demoralising officers. However, the thrust on constructive activities often has been momentary and sporadic and does not appear to have been generated and maintained in most areas, though agitations against the government have achieved much wider participation.

The KRRS intensified its struggles on a combination of issues particularly since November 1983. In a letter to the Chief Minister in November 1983, it charged him with going back on election promises of reversing the trend towards fast urbanisation and improving the quality of rural life. As instances the letter cited that instead of giving first priority to providing drinking water to all villages, the government obtained a huge loan from the World Bank to step up water supply to Bangalore; also, it has not even stopped attachment of properties of farmers (for defaulting loans) and other harassments. The letter gave an ultimatum that if such policies are not reversed by 15 January 1984, an intensive non-cooperation movement would be launched against the government. Hegde invited them for talks, but the KRRS sent a telegram pinpointing its demands and asking the government to accept them immediately, failing which farmers would launch a State-wide 'Rasta Roko' agitation from January 26. The demands made by the KRRS were as follows:

- (1) Abolish summoning and arrest without warrant except for grave offences;
- (2) Abolish attachment of movable property of farmers;
- (3) Abolish Fragmentation Act;
- (4) Regularise encroachment by landless and small farmers without penalty;
- (5) Remove restrictions on movement of foodgrains and levy procurement;
- (6) Appoint Prices Commission (at the State level) to investigate industrial and agricultural cost of production to achieve parity in prices;
- (7) Suspend police officers responsible for police barbarism in

Chikmagalur district and express regret to Chikmagalur farmers.⁵⁹

The KRRS insisted on the government's immediate acceptance of these demands before talks could start, but this was not acceptable to the government. The blockade of rail and road traffic began on 26th January and was called off on 2nd February. Two important farmers' organisations—the KPRS (of PDF) and Revencasiddaiah's Association—did not support the stir and called upon the KRRS to withhold it and agree for talks. The stir was most active on the Bangalore–Mandya–Mysore line and in Shimoga district. Jails overflowed with about 22,000 farmers courting arrest in various places. Three leaders of the KRRS—Sundaresh, Nanjundaswamy and Datta—were also arrested. The stir turned violent only on one day, when a government jeep and a private bus were set on fire, and a few miscreants looted the passengers of a tourist bus taking advantage of the disturbed situation.

Government's reaction to the demands was tough, but the door was kept open for talks. Hegde conceded that farmers had genuine problems but needed solutions through patient discussions, study, and consultation with the Centre, taking note also of the State's resources and their commitment to welfare programmes already undertaken such as the rural job guarantee scheme, drinking water, massive drive for literacy (*Akshara Sena*), starting 1,000 new small and big industrial units every month, and so on. The various concessions announced during 1983-84 amounted to Rs.60 to Rs.70 crores, he said. He rejected the demand for dropping legal proceedings against defaulters, since default was mostly wilful and from big farmers, the small farmers already having paid their dues before June 30, 1983.

The Prevention of Fragmentation and Consolidation of Holdings Act is not unique to Karnataka and has been necessary to keep holdings in a consolidated form, which is in the larger interests of sound agriculture. The important clause which is opposed by the farmers proposes to restrict the sale of fragments of a holding only to the owners of a contiguous holding. From the narrow angle of

59. The incidents were provoked, among other things, because the police officials insisted on removal of the green boards at entry points in villages, banning officials from entering villages without permission from village Ryota Sanghas.

individual cultivators, it creates inconveniences, prevents the development of a free land market and may even deprive the seller of a proper price. Such difficulties can be sorted out through arbitration by revenue authorities in case of disputes. Scrapping the Act to solve such difficulties amounts to throwing the baby with the bathwater.

A control on encroachment is essential because, in its absence, the larger farmers actually usurp land in the name of small farmers. There have indeed been reports of cases where dominant farmers encouraged marginal farmers and landless labourers to encroach upon government lands under their protection and assurances, and then got them retransferred to themselves, in part or in full. Landless labourers have been given the encroached land only at a nominal price. However, periodical checks are necessary to see whether there has been subsequent alienation of land. Actually, establishing agricultural estates or cooperative farm-cum-cottage industry centres is a better means of settling marginal farmers and landless labour than giving away, in an unplanned manner, government land which will ultimately go into the hands of the more powerful. Most of the large-scale encroachments have actually been made by such powerful persons. It has been widely reported that this has been done by planters and landlords on a significant scale in Chikmagalur district, and it has been decided by the government to evict them from encroached lands.⁶⁰

Though restrictions on movement within the State have been relaxed (being permitted between districts within a zone), restrictions on inter-State movements continue to be imposed. This is an important issue in price policy, and would be discussed in a subsequent chapter. The government, however, sees the need for this mainly because it makes procurement easier and keeps its cost down in surplus States.

Setting up a Prices Commission at the State level was not viewed as being useful by the government. This is because the support and procurement prices are fixed by the Central government itself in the case of agricultural goods and the question of pricing industrial goods is entirely under Central jurisdiction. The support operations also are largely under Central auspices, through the

60. Cf. statement by Revenue Minister V.L. Patil in the Assembly, *DH*, 3 March 1984.

Food Corporation of India, the Cotton Corporation of India, NAFED and similar agencies.

But all State governments have also been announcing prices independently, which are sometimes higher than what are fixed by the Centre. They are relevant only for the support and procurement operations that the States undertake. It is necessary to see that even these prices follow a rationale and are not arbitrary. Even if it is a political decision to fix these prices, it is useful to have some expert advice in the matter. It has to be noted, however, that no State can act in total independence, regardless of what is done by other States and by the Centre. This is not only because it creates contradictions as in the case of sugarcane and sugar, but also because, in spite of our federal structure, there is by and large a national market, the restrictions on inter-State movements notwithstanding. Despite price differences between States, there is some degree of integration. The expert body at the State level can view the prices to be fixed by the State in this entire perspective, in addition to taking into account State-wise differences in cost of production.

The State government seems to have taken up this issue with the Centre, and impressed upon it the need to have a discussion with chief ministers or concerned ministers from the States, before announcing its own prices. It also announced recently the appointment of an expert body under the chairmanship of the Agriculture Minister to study the demands of farmers and make recommendations. It does not, however, seem to be a permanent body, and the terms of reference include: "to study the problems of farmers and also to study the prices of agricultural produce and to make suitable recommendations."⁶¹ If it is supposed to be an *ad hoc* committee, it would not meet farmers' demands, nor would it answer to the needs of the situation. There is need for at least a permanent study cell to coordinate all data on farmers' problems, which at present is dispersed in quite a few departments. Even after five years of intensive agitations by farmers, no such cell seems to have emerged as yet, let alone a permanent advisory committee on farmers' problems.

As to the last of the seven demands, a straight apology by the police was ruled out, but an inquiry under a district magistrate was promised. It is not a problem concerning one or two incidents, but

61. *DH*, 6 May 1984.

one of evolving policies and standards of conduct in different situations of agitational politics. A trigger-happy policeman, acting under tension, can worsen a situation beyond repair. At the same time, failure to act in time against miscreants can also have disastrous consequences. Moreover, a distinction needs to be made between different kinds of agitations, and farmers' agitations cannot be put on the same footing as of communal riots. Certain norms have to be developed in each case. Nanjundaswamy has long since been demanding that strong arm tactics like firing and lathi charge on farmers should be avoided.

The KRRS of course continued its pressure on the government to accept its demands even after calling off its stir. It served notices on all legislators in the State to adopt their demands and support them, or face gheraos and dharnas. Considering the seven demands as a 'manifesto of the association', the KRRS trinity pointed out to the pressmen that the farmers were very particular about the legislators' response.⁶² The KRRS insisted that if the legislators stand by the farmers, they should withdraw support to the government and sit as opposition members—a move intended to throw the Hegde ministry out of power. Unfortunately for the KRRS, the legislators did not oblige except those who were already opposed to the Hegde ministry, though their support to farmers' seven demands was not unequivocal. The KRRS insisted also on separate talks, claiming that theirs was the only authentic association of farmers—a proposition with which neither other organisations of farmers nor the government would agree.

Like the Gundu Rao government, the Hegde government too has given quite a few concessions to farmers, though it has also resisted a few demands as already discussed. Apart from the waiver of interest, conditional upon payment of overdue principal by a specified time limit, full waiver of taccavi and flood relief loans and 50 per cent waiver of land improvement loans, the interest rate on cooperative loans has been brought down to the rate charged by the RBI, the operational expenses being borne by the government itself. The interest rate would be further reduced to four per cent if farmers sell their produce through marketing societies. Registration fee on loans taken for irrigation wells and pumpsets was reduced by half, and application fee for loans by farmers was

62. *DH*, 5 March 1984.

abolished.⁶³ The cost of institutional credit has thus been brought down considerably, and due to the vigilance of Ryota Sanghas themselves and also by the government, the cost incurred by farmers on account of bribery too must have decreased significantly.

In October 1984, the State government decided to write off the dues of erstwhile agricultural tenants owning 10 acres of dry land (or its equivalent) towards payment of compensation to ex-landlords. This is estimated to cost Rs.99 crores (DH, 18 October 1984).

There have been significant concessions in terms of several taxes too, a process started by the Gundu Rao government itself. Apart from the concessions in respect of betterment levy, water rates and electricity charges, as has already been discussed, several concessions were granted in respect of sales tax and other taxes. Hegde himself indicated how, as a result of such concessions, a tractor for which farmers had to pay Rs.74,060 earlier was available to them for only Rs.40,080.⁶⁴ The tax rate on fertilisers was reduced from 3 to 2 per cent since 1983. The budget for 1984-85 came up with further concessions. The basic rate of tax was brought down from 4 to 2 per cent in the case of insecticides and pesticides, and from 3 to 2 per cent in the case of bonemeal and oil-cake. Other concessions were on agricultural commodities themselves. Sales tax on ragi and jowar was completely lifted, and the rate of tax was reduced from 4 to 2 per cent in the case of other cereals and pulses, from 3 to 2 per cent in the case of non-refined edible oil, and from 5 to 4 per cent in the case of dry chillies. In the last case, a multi-point levy was changed into a single-point one. A few other agricultural commodities such as cashewnut, arecanut and coriander also benefited from concessions. These concessions were in response to farmers' demands and also according to the recommendations of the Karnataka Taxation Review Committee (1982). The concessions, however, have hardly satisfied the KRRS. Their reaction was that they hardly offset the increase in fertiliser prices in the last four years, let alone the increase since 1973 and let

63. Concessions offered to farmers in the first year of the Hegde's government have been indicated in the Karnataka government publication, *Promises Made and Redeemed*, January 1984, pp. 12-13.

64. DH, 23 June 1983.

alone the prices of other goods the farmers purchase.

The KRRS has not hesitated to use its political clout in elections wherever it has a mass base. In the Maddur by-election to the Assembly in May 1984, it called upon its followers not to support the ruling party's candidate.⁶⁵ A stand of neutrality or giving a call to boycott the election is meaningless, it felt, because under the prevalent election law no minimum votes are necessary relative to the size of the total electorate. Even if a few voters ignore the boycott, a candidate can be declared to have been elected on the basis of a simple majority of votes polled. The KRRS, therefore, decided to field "people's candidates as it was being talked in JP's time"—candidates "who are trained as legislators but do not have any affiliation to any of the existing political parties."⁶⁶ The candidates, according to this plan, are selected by Voters' Councils (under the auspices of the KRRS of course!). During the Lok Sabha election in December 1984, the KRRS fielded 7 candidates, in opposition both to the Congress (I) and the Janata. At a seminar on farmers' problems in July 1984, Nanjundaswamy declared that farmers in Karnataka would not be content till they took over the entire State; only then could they correct the wrongs done to farmers.

The KRRS had always been hesitant in making an entry into election politics as a political party, fielding its own candidates. This was because of the danger, it saw, of deterioration when an organisation believing in satyagraha became a political party, as it happened to the Congress.⁶⁷ This can happen irrespective of how the party fared in elections. There were other practical reasons too for the hesitation of the KRRS. It has developed a mass base only in about one-fourth of the State, and it came to the forefront of the State's public life only because of its agitational politics. Agitational politics not only yields quicker results than parliamentary politics as Nanjundaswamy has frankly said,⁶⁸ but it yields these results

65. The ruling Janata Party's candidate was defeated and the Congress(I) which had won the 1983 election in the constituency in spite of opposition from the KRRS, retained its seat. The winning candidate was the widow of the Congress(I) MLA, whose death necessitated the by-election.

66. See the interview with Nanjundaswamy published in the *Sunday*, 1-7 April, 1984, p. 31.

67. *Ibid.*

68. *Ibid.*

without having to prove majority support in a majority of constituencies. But after all this hesitation, the KRRS has made an entry into election politics. In the 1984 Lok Sabha election, it has already made a transition from a negative stand of opposing the ruling party's candidates to fielding its own candidates. Though they stand as 'Independents', they are under vow not to defect to any political party but owe allegiance to the KRRS. This has marked a significant stage in its development, and represents a turn-about from the earlier stand which produced a vertical split in the organisation, with Reveanasiddaiah walking out during the 1983 Assembly elections. Whether Naidu's adventure in election politics in Tamil Nadu and the resultant decline of his organisation would be replicated here, is difficult to predict at this stage. But the KRRS has taken that risk.

This development must have gladdened the heart of party-affiliated farmers' organisations who were critical of the negative attitude of the KRRS in elections. These organisations also have been furthering the cause of farmers. The competition for domination has shown no evidence of weakening farmers' movements or spoiling the prospects of achieving their demands. Knowingly or unknowingly the non-party organisations as well as others are complementing their efforts in promoting farmers' interests, in spite of whatever competition they may have among themselves. The competition has only intensified and strengthened farmers' pressure on the whole.

POSTSCRIPT

The experiment by KRRS with elections proved to be a disaster beyond expectations. Both in the December 1984 Lok Sabha Polls and in the February 1985 Assembly Polls, all its candidates lost their deposits, though they had contested only in a few places where the KRRS had a base and had earlier launched agitations. This does not mean that the farmers with marketable surplus had no hold on votes or rural power. Consciously or not, these farmers were making use of both institutions—the parliamentary framework through political parties who could form the government (KRRS had no such chances), and also the KRRS for agitational politics. This is evident from the fact KRRS was not serious about elections;

its election canvassing was on a low key, in contrast to the vigorous campaigns against loan repayment or for hikes in sugarcane prices. Its candidates were fielded as Independent, with the support of KRRS, rather than as those officially representing it. It is a mystery as to why at all it participated in the elections in a half-hearted way.

KRRS has shown much less militancy after the Janata Party returned to power with an absolute majority in the State. The new ministry could successfully create an impression that farmer's problems were mainly because of non-cooperation by the Centre in solving farmer's problems, holding out the fact that procurement prices advised by the State were always higher. In any case there has been an improvement on the price front for the farmers since 1982-83 even at the national level, as seen below from Chapter 6. The political power of dominant castes also increased after the Assembly Polls in the State which could bring more benefits to elite farmers. The greater thrust on meeting basic needs, particularly drinking water in villages, also provided the image of the government in rural areas. All these factors may have controlled to a relative lull in farmers' agitations.

However, even a sympathetic government could not abstain from its legitimate responsibility of insisting upon repayment of loans extended by co-operative societies. Large scale overdues even in areas which has not faced droughts and by well-to-do farmers irritated the government. It mooted an amendment to the Co-operative Societies Act, providing for auctioning of farmer's lands to meet overdue loans. On the ground that it hits at right to livelihood, the KRRS launched a vigorous campaign against the proposed Amendment and organised a Jatha in Bangalore on 1 November 1985. In any case, the Amendment was not practical since no small farmer and landless labourer would have the guts to bid for the lands of big farmers in any such auction. Even if the government were to take over and redistribute such lands to them, it may be difficult to persuade them to take up cultivation incurring hostility with elite farmers. In any case, KRRS intends to show that irrespective of the election performance, it continues to exist and exert pressure.

CHAPTER 5

Political Economy of the Movements

SPATIAL DIMENSIONS

The preceding two chapters have narrated in detail the course of events, their background, proximate causes, issues raised from time to time by the movements, and government's response to them. Considering the historical significance of the movements, occurring as they did in a crucial phase of the agricultural development of India, when the feudal order was transcended and new forces of production were ushered into agriculture in a framework of market economy, it was important to place all the major events on record in an objective way, without of course avoiding comments necessary to properly understand the events, the issues and the strategies adopted.

In the present chapter, we attend to an analysis of the movements from a political economy perspective. The central question in this analysis is the class character of the movements. We can understand this from the spatial characteristics of the movements, the class base of the issues on which agitations took place and the major gains, the nature and thrust of the ideology of the movements, the reaction of the rural poor—particularly of the Dalit movement—to the farmers' movements, and the relevance of the latter to the factors behind rural underdevelopment. This understanding would also help us in assessing whether the movements have played a progressive role or at least have a progressive potential.

It was observed earlier that farmers with marketable surplus and those involved in cash economy, through sale of output and purchase of inputs, are the ones who would be most interested in the price question. Almost all the issues raised in the movements have been woven around the price question and farmers' involvement in cash economy. It is, therefore, natural that those regions were in the forefront of farmers' movements which were highly

commercialised. A commercialised region is not merely one where at the aggregate level a high proportion of output is sold, but also one where the base of marketable surplus—the proportion of households with net marketable surplus—is relatively large. The line of demarcation between households with net surplus and those with net deficit cannot of course be rigidly drawn either across districts or over time. Going merely by aggregative district level statistics of size-wise distribution of holdings may not provide a clue to this. Moreover, even where a district as a whole may not have a higher proportion of surplus holdings, it may still provide a base for farmers' movements on the price question in those of its parts which have dependable irrigation and a higher proportion of surplus holdings.

It was not by accident that Coimbatore district was the epicentre of farmers' movements in Tamil Nadu on the price issues. Even small farmers were involved in the market there as much as the large, providing a base for the movements. By growing commercial crops the small farmers increased their purchasing power above what was necessary to meet their subsistence needs. Similarly, Nasik and Nipani became major arenas of Sharad Joshi's struggles, since they were centred on commercial crops involving even small farmers. The Punjab was an even more ideal stage since the bulk of the farmers there have been producing a net surplus. The main foothold of farmers' movements in Karnataka too have been more irrigated and commercialised regions, with a high proportion of the farmers producing net marketable surplus.

It was again not by accident that though the Malaprabha region triggered off farmers' movements in Karnataka, they were not sustained there. If objective circumstances warranted, the movements would have continued there with full force under the KRRS if not under the parties that had formed the PDF. Though the irritation over irrigation levies was shared by the majority of the farmers, once the source of irritation was removed through government action, the movement could not continue. This is because, though cotton is an important crop there, Dharwad is dominantly a millet region producing mainly subsistence crops. Lower productivity, rather than lower price, is a major problem there, with the result that even large dry holdings with up to 15 or 20 acres may well emerge with a net deficit rather than a surplus. For the same reasons, the movement could not take roots in the drought

prone areas of Karnataka. Though parts of Bellary and Raichur are irrigated, they are like oases in the vast drought prone areas. It should be noted that large farmers in the drought prone areas, though having a net marketable surplus, could not bring about a movement on price issues in their own areas, despite the fact that they were sympathetic to the movement in Karnataka and became active members of the Ryota Sanghas.

Though the two coastal districts of Karnataka—Uttara and Dakshina Kannada—are not drought prone, farmers' movements could not take roots there. Most of the farmers there are small paddy growers with a subsistence economy. The growers who are deeply involved in cash economy are those with arecanut gardens, who have by and large solved their market problem by setting up a cooperative marketing system of their own. There are of course a few large holdings in Dakshina Kannada under landlords or religious institutions, under personal management, and they cannot provide a source of mass movement.

It was because the movements needed a mass base in the concerned areas, that price issues were raised mostly in the case of commercial crops and not in the case of subsistence crops like millets though large farmers had net surplus in subsistence crops and they had a stake in their prices. Though paddy growers were active members of the KRRS in Shimoga, no active agitations took place directly around paddy prices, except for the pressure exerted for the removal of restrictions on the movements of paddy and of the levy system. This is in contrast to the relentless pressure and agitations for increasing sugarcane prices. A demand for increase in the prices of commercial crops like sugarcane does not divide the farmers, since the small and the big alike are interested therein. Not so in the case of foodgrains, including millets and pulses grown mostly in the drought prone areas.

It is because the class basis of farmers' movements is in surplus-generating and commercialised sections that the interests of farmers in the drought prone areas were hardly projected in the actual movements, beyond asking for more irrigation and rural industries. The logical outcome of this class basis is the priority for price issues, whereas the main issues affecting the drought prone areas are low and unstable yields. Though crop insurance was one of the demands of the farmers, it was more feasible in irrigated and assured rain?all regions. Both premium and indemnity would be

within manageable limits in such areas rather than in the drought prone areas. The problem of both low and unstable yields can be tackled by a better management of land and water resources, which may need communitarian organisation. There are serious limits to individual holdings being the basis for land and water management. Experts agree that watershed is a much better unit of planning for optimum results, which would involve a cooperative endeavour of individual holders. But no communitarian organisation and initiative can be forthcoming in a highly unequal agrarian structure, as it particularly is in drought prone areas. The elite farmers can hardly lead such a move nor are they motivated to do it.

The elite farmers in the drought prone areas try to overcome the limitations imposed by low and unstable yields by diversifying their economic activities particularly through trading and agro-processing. This is why they cannot lead struggles on even genuine price issues that affect these areas. The drought prone regions also have cash crops like cotton and oilseeds, but their main price problems are how to make prices more stable and how to improve farmers' share in them. Though struggles on these issues benefit, the bulk of the farmers growing these crops, they do not suit the elites.

MASS MOVEMENT OR CLASS MOVEMENT?

The farmers who are more commercialised in output are also more dependent on commercialised inputs and institutional credit. There is thus an identical class; interested both in higher output prices and in lower input prices, which forms the base of the movements. The interesting part of the phenomenon, which also complicates it, is that though commercialisation of output permeates more slowly to small farmers and finds serious obstacles due to slow absorption of the workforce from agriculture, institutional credit and commercialisation of agricultural inputs have been more successful in penetrating smaller size-classes. This has provided an objective base for the participation of small farmers in the movements. But even this could not have made the interests of the small and the big identical in all respects.

The movements were of course led by either large or middle farmers not only at the State level but also at the disaggregated levels. But they needed the support of the small farmers to have a

mass base. Numbers are important in agitational politics to organise rallies and protest demonstrations, to block traffic, and to court arrest in thousands and make the prisons overflow. The mass support that the farmers' movements secured in all such activities could not have been under duress. We have to first see how this was managed. The more important points, however, are whether the movements could succeed in the professed aim of attacking and reducing the power of urban exploiters and whether at least in these regions the movements served the interests of all farmers equitably, including those with net deficit.

We have already noted that a conflict of interests was avoided by centring agitations mostly on commercial crops grown by both small and large farmers—a rather dominant instance being sugarcane. Small and marginal farmers were also attracted by the demand for waiver of overdues in respect of institutional credit. But once they saw that this could dry up the flow of cheaper institutional credit to them, it could not continue to be an important motivation for their involvement. What really attracted the small farmers to the movement was the chance they saw of securing some attention, and even respect, at the government offices, through membership of the Ryota Sanghas. It was almost an insurance against harassment by officials and against bribery. A few instances of this have been noted in the preceding chapter.

The caste factor has been no less important. The farmers in Karnataka belong mainly to two major communities—the Lingayats and the Okkaligas. There are some communities among the Lingayats who follow professions other than cultivation. Some of these communities consist of people who work as agricultural labourers and artisans, and people belonging to one of them—the most affluent among the Lingayats—follow trading and processing of agricultural goods as their major occupation. The farmers' movements have their base among the peasant communities among the Lingayats and the Okkaligas. The caste solidarity is an important fact of village life. The small and marginal farmers of these peasant communities rally behind a cause which would benefit the community as a whole, even if the benefits may not be equitably distributed. It should be noted, however, that caste appeal was not the only factor in securing a popular base for the farmers' movements. In Shimoga and other districts, there are farmers belonging to other minority communities as well—including a few

Brahmins and a few backward class communities like Idigas or Deewars. These farmers too had joined the agitations and some of them have been active members of Ryota Sanghas. A Sadar (peasant) Lingayat makes common cause with a Brahmin or a backward caste farmer more easily than with a rich Banajiga Lingayat engaged in trading and rice milling. While the caste factor has certainly contributed to mass support, there has also been a growth in the consciousness of farmers as a class particularly in the wake of these movements.

A sharp polarisation among the farmers, with a few large farmers controlling the bulk of the area on the one side and a large number of small farmers with tiny holdings on the other, would not have helped the growth of such consciousness. No doubt there is disparity among the farmers, but the bulk of them had a stake in the market in the concerned regions as already explained. This objective factor helped also in selling a ruralist ideology, projecting the idea that the primary cause of rural poverty is urban bias and not exploitation by landlords and rich farmers. No doubt there were rural labourers with or without land, but their being in a minority helped in promoting this ruralist ideology, subduing an ideology which believed in class differentiation.

It may be noted that even Lipton recognises class differentiation within rural society.¹ But in a clever move to retain his fondness for the phrase 'urban bias', and to deny the contradiction between capital and labour, he simply clubs together large landowners with urban capitalists, bureaucrats, professionals and organised urban labour on the one hand, and small farmers, tenants and landless labour of the rural sector with unorganised urban labour on the other. Commenting on this kind of class delineation and calling them still as urban versus rural classes, Griffin observed that it is a "bizarre situation in which the people who control over half of the land in rural areas are counted as beneficiaries of urban bias, whilst the people who account for over half of the labour force in urban areas are assigned to the rural classes and suffer from urban bias."²

The leaders of non-party farmers' movements, however, make no such mistake. They simply refuse to accept any differentiation in

1. Michael Lipton, *Why Poor People Stay Poor: A study of Urban Bias in world Development*, London, Temple Smith, 1977.
2. K. Griffin, Review of Lipton's Book (*op. cit.*), *Journal of Development Studies*, Vol. 14(1), 1977, p. 109.

the rural sector, particularly among farmers. Sharad Joshi speaks of two countries in one—*Bharat*, the exploited rural country, and *India*, the ruling urban country. “It is conspiracy on the part of the Indian elite to try to divide Bharat in terms of big, medium and small farmers. There is no line of contradiction between the big and the small with regard to remunerative prices”, he asserts.³ This view is shared by Naidu and the Karnataka leaders of the non-party movement, except for the fact that the very existence of large farmers is denied by the latter. According to them, all sections of the rural society are victims of an urban bias in almost every sphere—price policy, allocation of plan funds, development of infrastructure, and what not. Nanjundaswamy, therefore, prefers to call the farmers' movement as the second liberation struggle to free villages from the exploitation of the urban elite—a struggle inspired by the ideas of Mahatma Gandhi and Lohia. The Kanakapura agitation and the setting up of Gram Swarajya are cited as symbolic of the resolve of the rural people to carry on this struggle and transform the quality of rural life. In respect of ideological stance, the Karnataka leaders can be said to have advanced further than Joshi and Naidu, in terms of which they are not influenced by economism alone but are seized with a moral fervour to revolutionise the whole system. This fired the imagination of the small and the big alike, and boosted the image of the Ryota Sanghas and helped them in securing a popular base.

It would not be correct to accuse these leaders of hypocrisy since farmers' agitations have been staged in such areas and in the case of such crops and on such issues that there really was not much of a contradiction of interests between large and small farmers, as they claim, though, to deny the very existence of large holders is a fantasy even in these regions. They do not, however, control the bulk of the area, and they are not comparable with the erstwhile feudal lords with complete control of the villages under them. But the farm ideologists would be in error if they were to project such a relatively contradiction-free situation for the whole country and for the whole of agriculture. Moreover, they also tend to gloss over the contradiction of interests between the rural labour (with or without land) and the farmers. If at all they are persuaded to concede its existence, they see it only as a result of the main contradiction:

3. Interview, *The Hindu*, 22 December 1980.

between urban and rural interests. The case for rallying behind farmers' cause is, therefore, strong even for rural labour according to this ideology. Unfortunately for farmers' movement, they have not been able to sell it to the rural labour, as we shall see.

A local or regional movement by itself is not of course expected to change the exploitative system as a whole, even if ending the system be its aim. But the issues on which it concentrated its energy and the class base of the concessions it won, even at the regional level reveal the class character of the movement more than its professed ideology and intentions. Though some of the actions of the KRRS have been symbolic of anti-exploitation ideology as discussed above, it is surprising that it has hardly launched any noteworthy agitation against exploitation by merchant capital in Karnataka, though it had the bright examples of Nasik and Nipani agitations under Sharad Joshi, and though Naidu himself—with whom the KRRS leaders were in close touch—had inspired agitations to evict commission agents from the regulated markets and had fought against the still prevailing exploitation of farmers there. The KRRS has not asked for either nationalisation or cooperativisation of rice mills. Though they asked for a government take-over of sugar mills, the demand has not been serious enough, as it was focussed more on increasing sugarcane prices and reducing arrears owed to farmers. It has not taken up the challenge thrown by the Hegde government to take over mills as farmers' cooperative enterprises. The reason for demanding the government take-over was that it was more amenable to the pressure for granting a continuous increase in cane prices than a private mill operating for profit, and not for reducing the role of private capital as such.

The KRRS has not demanded an extensive coverage of the countryside by a public distribution system for foodgrains for the rural poor, nor has it demanded nationalisation of the wholesale trade in foodgrains. Sharad Joshi's stand appears to be the same as that of the KRRS in this respect, though Naidu seemed to have indicated a preference for state trading, though not strongly enough. On the other hand, farmers' movements led by the left and democratic parties in both Karnataka and Maharashtra have been emphatic on ending private trading and processing of agricultural produce. When interviewed by the author, Nanjundaswamy of the KRRS and Narasimhappa of the FFI explained their lack of enthusiasm for state trading. Both felt that farmers' exploitation was

due mainly to government policies themselves and to their urban bias, which would not end with mere cooperativisation or nationalisation of trade and agro-processing. According to them, monopolistic trade practices and inefficiency of the marketing system, though not ruled out, are not the primary cause of farmers' exploitation. They are more afraid of a corrupt and costly bureaucracy than they are of private traders, and would not want such a bureaucracy to take over trade either in the form of state trading or cooperative marketing. Their main priority was to get farmers organised to pressurise the government for higher support prices, more concessions and more funds for agricultural development, than to get the whole market system changed. This is understandable because, in spite of the drawbacks of the present market system, large farmers stand to gain from it under the inflationary conditions which have prevailed most of the time. Besides, though traders and rice millers have not infiltrated into farmers' movements or organisations in Karnataka as in Tamil Nadu and though even community-wise there are differences between the peasants and the traders, the trend of large farmers entering into trade and agricultural processing is unmistakable. Any stand in favour of ending private trade is likely to cause dissent from the more powerful sections of the members of farmers' organisations like the KRRS or the FFI.

The lack of enthusiasm is not in demanding the extension of the public distribution system to cover the marginal farmers and the landless labour in the rural areas is not incidental. Such an extension could make the beneficiaries of this system conscious of the contradiction between their own interests and the farmers' demands for higher prices and abolition of the levy procurement system. Secondly, it would also reduce the dependence of the marginal farmers and the landless labour on other farmers for consumption loans or loans in kind. Paddy loans are still prevalent in the Malnad areas where farmers' movements are active, though their magnitude is lower now than it was when the feudal order was more dominant. Sometimes, even if they are not in the form of loans, they are in the form of forward sale of the expected harvest to larger farmers or traders.⁴ Thirdly, this lack of enthusiasm for public distribution is

4. For a detailed presentation of different loan systems in Shimoga, see G. Rajashekhar, 'Shivamogga Ryota Chaluvali', *Rujuvatu*, October-December 1982, pp. 382-88 (in Kannada).

also a reflection of the fact that though farmers' movements have covered the small and the large farmers alike, other sections of the rural society such as labourers and artisans have not been covered and their interests are not projected.

The most important among the issues, but neglected, is the one concerning the wage levels in agriculture. The very fact of neglect of this issue is denied on the ground that one of the 19 demands of the farmers in Karnataka, as presented in October 1980, included the wage issue, demanding 'right' wages to agricultural labour and also facilities like free houses, education and medical aid as given to industrial workers. Pension after the age of 55 both for them and for the farmers has also been demanded. Ignoring the fact that while such facilities are given by employers in industry while they were demanded from the government in agriculture, and that farmers do not lose anything in making such demands, it needs to be noted that there was neither a specific demand to raise minimum wages in agriculture nor any assurance that such wages would be given by farmers. The issue of 'right' wage was left unspecified, though combined with 'right' prices about the levels of which farmers were more specific. Minimum wages as fixed by the government have a significance for the rural labour, though they are paid by the farmers employing them and not by the government. They provide a standard with which to compare, and become a basis for demanding wages at least according to this standard. An attempt is made to explain away the indifference to this issue by arguing that wages improve automatically when farm prices improve, and that wages are already so high in relation to prices that farmers cannot afford them. In any case it is obvious that issues neglected as well as the issues taken up for active agitations by farmers have a class bias, and this bias was not in favour of the rural labour.

One can see a similar lack of enthusiasm in improving the quality of rural life—rural sanitation and health, drinking water, and school facilities. As a symbolic action, a few moves were made occasionally to identify the rural needs and propose development programmes. But the zeal for such activities was neither sustained in the areas where it originated, nor did it spread to the other areas. This is surprising since the KRRS does not believe in a one-point programme like Sharad Joshi, but intends to transform the whole rural life.

On the other hand, the issues which received emphasis have been

the abolition of betterment levy and water rates, waiver of overdue loans, increase in sugarcane prices, payment of all arrears to farmers owed by sugarcane mills, abolition of restrictions on movement of foodgrains, abolition of taxes on agricultural implements including tractors and power tillers, reduction in electricity charges, and grant of easier loans at low rates of interest. The gains also have been mostly on these issues, as we have seen in the last chapter. Whether it is Gundu Rao or Hegde, they have yielded to most of these demands, though they have also resisted a few demands like a blanket waiver of all overdue loans. But even in this respect, farmers have gained substantial concessions. It is no doubt true that both small and big farmers have a stake in these issues, and there has been no contradiction between their interests. It is also true, that small farmers have a higher proportion of irrigation, and to that extent they have gained from all irrigation-and-power biased issues. One can also concede that the gains to small farmers have been more than proportionate to their share in the operated area, since the irrigated area is proportionately more in small farms. Nevertheless, it could be a little naive to believe that gains of the movement have been equitable enough to remove disparity in the rural areas. As we have observed, though small farmers have more irrigation, it is still not proportionate to their number. What all one could optimistically say is that the gains from the farmers' movement have been in proportion to the area standardised for irrigation, but not in proportion to number.

This is an optimistic assessment of the movement, because one is not certain that in combined movements, the gains would be equitable. Gail Omvedt has remarked that when Sharad Joshi succeeded in raising onion prices through his Nasik movement, the prices were above what the market could absorb, resulting in unsold stocks (in spite of NAFED operations) which mostly belonged to small farmers. Whereas large farmers could easily sell, the small farmers could not.⁵ Again, to the extent that small farmers used less of inputs like fertilisers, electric pumpsets and tractors, the gains to them have been less than proportional to even standardised area.

5. Gail Omvedt, 'Maharashtra: Rasta Roko, Kulaks and the Left'. *EPW*, 28 November 1981, pp. 1937-41.

One must concede, however, that though the gains to small farmers appeared relatively less, they have more certainly gained in absolute terms. They have also shared the gains from increase in sugarcane prices, decrease in electricity charges, waiver of interest on overdue loans, and so on. More than everything, as noted above, they had a certain measure of self-respect and confidence when dealing with government officers. When asked about what gains they perceived from the movement, the common farmers said that they received better treatment from government offices and politicians alike and could get their things done without having to resort to bribes and with relatively less trouble and fewer trips than before the movement. This was the gain which they most spontaneously and eloquently narrated, and other gains seemed much less evident to them. Reporting on the aftermath of the Malaprabha agitation, a Press Reporter wrote that it "apparently has put the fear of God into the hitherto haughty government officials. Tahsildars and Revenue Officers now gently greet the agitationists every morning and some ryots swear that the very gait of officials has changed charmingly."⁶ These gains were by no means insignificant though they also went to those who had land and, therefore, had something to do with government offices.

The title question of this section can now be answered briefly. The movements cannot be said to have been fought for the rural society as a whole. They hardly projected the interests of rural labourers and deficit farmers. Since they formed the poorest sections of the rural society and also the bulk of the rural population considering the country as a whole or even the State as a whole, the movements cannot be considered as having a mass character *in a national or aggregative perspective*. But they cannot also be said to be the movements of a few landlords or big farmers controlling the bulk of the village lands. In the areas which staged the movements, such a concentration of lands did not exist. The movements centred on such crops (mainly sugarcane) and issues in these areas that there was no contradiction of interests between relatively large and small farmers. *In such regions*, the movements enjoyed the mass support of the farmers. Regionwise, the movements catered to the needs of more developed irrigated regions, and within regions the gains from the movements could be said to

6. *DH*, 7 August 1980.

have been proportionate to the land held, standardised for irrigation differences. Gains cannot be said to have been proportionate to the number, either class-wise within regions or across space. Nevertheless, the movements were in response to certain genuine problems experienced by a bulk of the farmers in such regions. Though they did not belong to the poorest sections of the rural society, they covered the interests of both the elite and the not-so-elite. In spite of ideological stances of transforming the whole system, their aim was limited. As intended, their struggles resulted in increasing the political clout of surplus farmers and secured for them a more stable place in the regional power structure. It is unlikely that the movements would spread on a wider scale covering drought prone areas on price and related issues involving foodgrains, since contradictions between deficit and surplus farmers would emerge sharply, severely limiting numerical support to the movements. Movements in such areas would have to be on other issues to attract such support, in which contradiction of interests between different sections of the rural society does not exist or is *minimal*.

DALITS AND FARMERS' MOVEMENTS

The Dalits (literally, the oppressed) in a broad sense include not only the scheduled castes, but also other socially and economically backward minority communities. There is some social distance between scheduled castes and other backward communities, which has come in the way of their unity. Being the most oppressed, it is understandable that the former lead the Dalit movement. Besides, they also form the bulk of the Dalits.

In spite of some social and economic disparities among the Dalits themselves, the disparity between them and the dominant castes comprising the bulk of the farmers is so over-whelmingly large that it keeps the Dalits, particularly the scheduled castes, as a separate class by themselves in any rural society. The disparity between the Dalits and the dominant castes is both economic and social. While by and large the latter are a propertied class, the former are proletariat. Dependence of the Dalits for employment and consumption loans on the latter provide immense scope for exploitation. The Dalits are also socially oppressed and isolated, and kept out of the benefits of development. The atrocities on

scheduled castes—setting their huts on fire, beating them up, sometimes till death, raping their women, blinding them, etc.—perpetrated by dominant castes in villages, even after Independence, have been reported in the national press from time to time and have been chronicled by Kamble.⁷ It is not surprising if Sharad Joshi, Naidu or Nanjundaswamy are unable to sell their ruralist ideology to the Dalits. An outlet into urban employment has given the only opportunity to the scheduled castes to escape from the social and economic oppression in villages.

There is an organised Dalit movement in Tamil Nadu, Maharashtra and Karnataka as in several other States. Though its leaders are sympathetic to the farmers' struggles against their exploitation by industrial and merchant capital, they have differed sharply on many issues including ideology. These differences have most often emerged from concrete experiences of the Dalits, who are suspicious about the real intention of farmers' movements. A few, like K.T. Shivaprasad of Karnataka, who got involved initially in farmers' movements under the spell of the socialist background of some of the farmers' leaders, soon got disillusioned, resigned from the KRRS and joined the Dalit movement. When asked about the reasons for his resignation, Shivaprasad charged the Ryota Sangha with a middle caste orientation due to the dominance of the Gowdas (Okkaligas) and the Lingayats. He said, far from removing caste from society, the Ryota Sangha is only consolidating the strength of middle castes, for which "they have a logic saying that Gowdas and Lingayats cover most of the population of Karnataka."⁸

In fact there is a view that farmers' movements are meant, *inter alia*, for restoring the dominance of middle castes which they had enjoyed since the formation of the State of Karnataka in 1956 till 1971. They lost this dominant position after Devaraj Urs staged a silent revolution with the support of Indira Gandhi, through which backward minority communities and scheduled castes and tribes came to the fore in the State politics. As long as Urs was with Mrs. Gandhi, they were together too strong for the middle castes to bring about a counter-revolution. They made a concerted attempt during

7. N.D. Kamble, *Atrocities on Scheduled Castes in Post-Independence India*, New Delhi, Ashish, 1979.

8. In an interview to Govindaiah, Editor of *Panchama*, an authentic voice of the Dalits in Karnataka; see its special issue on Dalits and Ryots' Movement, November 1983, p. 5 (in Kannada).

Gundu Rao's chief ministership to reassert their position. But the fall of his government in the election and the rise of the Janata-led Ministry to power also did not help them enough. This frustration, according to this view, led to more intensified agitations.⁹

B. Krishnappa, President of the Karnataka Dalit Sangharsh Samiti, shared this perception of the politics of farmers' movements in Karnataka. He said that middle castes dominate farmers who are killing two birds with one stone—not only gaining several concessions on the economic front but also trying to restore their political domination which they had enjoyed in the fifties and the sixties.¹⁰ Any strengthening of farmers on a majority caste basis poses a threat to the economic interests and security of the oppressed minorities, particularly at the village levels, he felt. Though this suspicion about the real intention of farmers' movements is not unfounded, it is essential to keep the perspective in balance by remembering that farmers had quite a few genuine grievances on the economic front, as we have noted in Chapters 2 to 4, and also that farmers belonging to other communities—though in minority—were also involved in farmers' movements.

Krishnappa does not deny that farmers are exploited by industrial and merchant capital, and said that the Dalits would extend their support to farmers in their struggle against their own exploitation. But he also felt that their actual struggles have aimed at achieving short-run economic concessions and improving their power within the existing social and economic framework, than at changing the system. This is because they, unlike the Dalits, have a stake in the continuance of the present system. It is only the Dalits who can lead a movement for total progressive transformation of the system. Because of the contradictions between the farmers' and the Dalits' interests in many respects, the Dalit movement has to be

9. Thanks are due to G. Thimmaiah and Abdul Aziz, keen observers of political, economic and social change in Karnataka, who first presented this perception to the author and discussed in detail. Though they were yet to publish it, they have kindly permitted its brief presentation here. It is presented because this perception seemed to have been shared fairly widely by, among others, those who had led farmers' agitations under the PDF. It is significant that on the eve of the 'Rasta Roko' agitation, Karnataka Pranta Ryota Sangha called upon the KRRS to give up its casteist politics and join them in fighting for legitimate rights of farmers. Cf. *DH*, 26 January 1984.

10. In personal interview to the author in February 1984.

separate, and cannot be combined with that of the farmers, he said. The Dalits do not accept the urban *vis-a-vis* the rural paradigm or the urban bias ideology, which is only to cheat the rural poor, he clarified.¹¹ He came close to V.K.R.V. Rao's critique of Lipton¹² by identifying the contradiction between private property owners and the non-propertied as basic to the diagnosis of poverty, the social isolation and oppression of the Dalits on caste basis being an additional and important dimension of the problem, particularly in the rural areas.

An expression to the contradiction between the Dalits' and the farmers' interests was given by a prominent Dalit leader even in the initial stages of the farmers' movements in Karnataka. B. Basavalingappa, the then Deputy Leader of Opposition, warned the government in the State legislature against taking a unilateral decision in satisfying the demand of the farmers for increasing support prices, ignoring the interests of consumers and agricultural labourers in the State.¹³ Dissecting the demand for fixing agricultural prices on the basis of manhours as in industry, an article in *Panchama*, a Dalit periodical, estimated that on a conservative basis, calculating wage costs as per minimum wages in industry, it would amount to fixing the price of paddy at Rs.500 per quintal, pricing out at one stroke the agricultural labourers and marginal farmers who have to purchase rice for consumption. The article further stated that this would also lead to the expropriation of small paddy growers, leaving only large farmers in the field who would be operating with tractors, thus minimising employment.¹⁴ In other words, acceding to price demands resulting in a significant increase in prices above the actual cost of production would only accentuate capitalist farming and not peasant farming. Price demands are often made by farmers' leaders on the plea of protecting small peasant farmers. In a seminar at Hyderabad in 1982, Hanumantha Rao strongly refuted this argument.¹⁵ It is interesting that the views of

11. *Ibid.*

12. V.K.R.V. Rao's Review of Lipton's book (*op. cit.*), *Indian Economic Review*, Vol. 15 (1) January-March 1980.

13. *DH*, 5 November 1980.

14. Cf. Ksheerasagar and H.S. Rajendrasingh, 'The Ryot Sangha that does not promote labour interests', *Panchama*, November 1983, p. 25.

15. He said, "Payment of greater price over and above the remunerative prices will not help the small farmers. On the other hand it directly enriches the capitalist

the Dalits and those of reputed professional economists come so close to each other.

The Dalits do not accept the view that once prices improve, agricultural wages too will improve. Krishnappa pointed out that in Shimoga district itself, both paddy and sugarcane prices have much more than doubled in the preceding decade, but wages have remained practically the same. The fact that no agitation, not even a symbolic act of pressurising the government to raise minimum wages, took place has not gone unnoticed by the Dalits. On the other hand, farmers have resisted when the Dalits have asked for implementation of at least the minimum wages. This author witnessed such a case at close quarters in an irrigated village, Kokkampalayam in Coimbatore district, in 1979. The farmers were organised and were fighting, on the one hand, against the government for concessions in electricity dues and loans repayments, and, on the other, against the agricultural labour—mostly scheduled castes—who demanded implementation of minimum wages. They boycotted local labour and started hiring unorganised outside labour—a familiar strategy adopted by farmers. They often succeed in this because of the widespread unemployment. Wages are kept down also through an increasing trend towards mechanisation. Though the wages of skilled labour operating machines go up, the wages of labour in non-mechanised operations do not.

The Dalits, according to Krishnappa, are also opposed to the demand for the abolition of procurement levies, and anything that could adversely affect the public distribution system. He stressed the need for extending it in the rural areas along with employment guarantee schemes so that the scheduled castes' dependence on farmers and traders in times of distress can be reduced.

The Dalits have a different perspective about the nature and the role of the bureaucracy also. Krishnappa said that in the present circumstances of rural reality, a bureaucracy committed to the

and large farmers whose produce forms 80 per cent of the marketed surplus. Hence exclusive emphasis on raising prices beyond cost of production would strengthen the capitalist sector and would most adversely affect the rural poor whose wages lag behind prices. Price factor cannot be used as a preventive of capitalism in agriculture", in Y.V. Krishna Rao et al. (eds.) *Peasant Farming and Growth of Capitalism in Indian Agriculture*, Vishalandhra Publishing House, Vijayawada, 1984, p. 318.

implementation of programmes for the alleviation of poverty is in the interest of the poor and any agitation which demoralises such bureaucracy or restricts their access to the rural poor is anti-people. To regard bureaucracy as a whole as an enemy is erroneous, he felt, though undoubtedly corruption and indifference on the part of the bureaucracy have to be fought. Munivenkatappa, a Dalit poet, who works as a Block Development Officer in Mandya district, also echoed the same view. The Green boards restricting the officials' entry into villages except with the permission of the rural elite who dominate Ryota Sanghas, not only restrict whatever little aid the rural poor receive from the government, but can also be used to prevent the access of officials in times of strife between the scheduled castes and the dominant castes, he said.¹⁶

In normal circumstances, the Ryota Sanghas have not prevented access of government officials to the marginal farmers and labourers or the rural poor in general. But once tension develops in the relations between the two, as if happened in the Coimbatore village referred to above, farmers deliberately attempt to isolate the poor from the officials. An activist of the farmers' association in the village was candid enough to tell our field investigator, K. Muthayan, that "if the labourers get monetary or material benefits or loans from the government, they cannot repay them since they spend on liquor; or, they would develop their own activities (like livestock rearing) and would not come for agricultural coolie work. Agriculture would then suffer without coolies." The latter was the real reason. The significance of this has to be understood against the background of the fact that the scheduled caste labourers were organised in this village, and though they could not get the wage demands fulfilled, they had succeeded in terminating the practice of providing free labour at farmers' homes, which as associated with paid labour in fields. The success of rural labour in achieving this was attributed by farmers to the help that the former receive from the government through welfare programmes and concessional loans.

A number of incidents have exposed the class bias of farmers' movements, which served to further promote the suspicion about them among the Dalits. On occasion, the TNAA in Tamil Nadu allowed itself to be trapped into caste-Hindu politics against the

16. In a personal interview to the author in February 1984.

scheduled castes, as happened in a conservative village called Kothapur, 20 km from Tiruchi. About 3 acres of *poromboke* land was assigned by the government for house-sites to 69 scheduled caste families, which was opposed by caste-Hindu farmers. Under the pressure of the latter, the TNAA agreed to plans of agitation by local farmers' association against this land distribution.¹⁷

Back in Karnataka in a similar incident in Sanklapur in Hassan district, the Ryota Sangha opposed the distribution of government land to the scheduled castes on the plea that it was needed for a school. In another incident in Abna in the same district, the Ryota Sangha hushed up the cruelty of a planter who had thrashed and humiliated a scheduled caste woman on the excuse that she has stolen some fuel-wood. Atrocities perpetrated by planters on scheduled castes in Ballupet in the same district again were treated lightly by the Ryota Sangha. Instead of demanding punishment for the planters, they sought to bring about a compromise.¹⁸ There have been many instances where lands distributed or belonging to scheduled castes were usurped by farmers, about which the Ryota Sangha did not take a stand to protect the scheduled caste interests.¹⁹

It should be noted, however, that some enlightened leaders of the KRRS like Kadidal Shamanna have tried to attend to the interests of the Dalits through actual deeds. He is reported to have led a batch of scheduled caste and Muslim landless families to encroach upon about 100 acres of culturable land belonging to the Forest Department in Heddur in Tirthahalli taluk of Shimoga district in 1983. It was alleged by the local Ryota Sangha leaders that though the government had ignored the encroachment of much more land by planters, it reacted sharply to this particular attempt by arresting the encroachers. This incident does not, however, seem to have impressed the Dalits. When it was mentioned, Krishnappa asked why the Ryota Sangha does not ask the government to give all land encroached upon by the planters to the landless scheduled caste labourers, ask its own members to return the land that they had resumed for personal cultivation from tenants and the land they

17. *The Hindu*, 10 October 1980.

18. These incidents were narrated by K.T. Shivaprasad while explaining why he left the Ryota Sangha. Cf. *Panchama*, November 1983, pp. 6-7.

19. See Ksheerasagar and H.S. Rajendra Singh, *Panchama*, *op. cit.*, pp. 23-24.

had attached earlier from small farmers in settlement of their loans.²⁰ These are serious questions over which farmers' leaders have to ponder, and act to inspire credibility among the Dalits.

In spite of these differences and suspicions, the attitude of the Dalits to farmers' movements cannot be construed as one of total animosity or opposition. A thoughtful editorial in the special issue on the problem in *Panchama* (cited above), entitled significantly as 'Ryota Movement: Panchama's hopes and Disappointments', actually regards the farmers' movement as having a progressive potential. It referred to the hopes entertained earlier that the movement would be an instrument of total revolution to end exploitation and casteism, but bemoaned the fact that it has reduced itself to the economism of trade unions, interested only in improving its terms with big industry. Paradoxically, it noted, the processions for protesting against exploitation by big industry are staged on tractors! This economism has not only limited the influence of Ryota Sangha to old-Mysore areas, but has also united farmers not merely against industry but also against the Dalits and the agricultural labour. From the point of view of the Dalits, the editorial said, it is the castes which exploit them that are united under the Ryota Sangha. It suggested that once the farmers' movements transcend this economism and act genuinely for a social and cultural transformation of the country and for the eradication of casteism, the two progressive movements—the farmers' and the Dalits'—would come together to attain common aims.

This however, is in the realm of hopes. Unfortunately, a left-led farmers' movement which would have been in a better position to achieve these hopes, is hardly a force to reckon with in Karnataka, Maharashtra and Tamil Nadu. On the other hand, the actual trend of the other movements has been away from the hope expressed by *Panchama*. In the 19-point demands of October 1980, there was at least some mention of wages. The seven-point demands of early 1984, which were called a 'Manifesto', do not do even that. They clearly indicate a further advance towards economism.

20. In a personal interview to the author, February 1984.

IN INTER-SECTORAL PERSPECTIVE

The assessment of farmers' movements in the sections above has been almost entirely in terms of an intra-rural perspective. Within the agrarian or rural sector taken as a whole, the forces behind the movement constitute the rural elite, who could hardly be depended upon for a progressive transformation of production relations within agriculture. But are the farmers' movements progressive in the context of the need to transform the production relations in the larger economy, particularly in the industrial sector, and to contribute to the growth of employment and output of the economy as a whole?

We have at least three perceptions of the role of surplus farmers. One, represented by Ashok Mitra,²¹ actually holds them—particularly their upper crust, whom he calls the rural oligarchy—as allies of monopoly capital in the exploitation of urban and rural proletariat and generation of surplus value. In the bargain, the surplus farmers obtain better terms of trade, subsidised inputs and a scuttling of land reforms. The capitalists, on the other hand, “obtain the exercising of unfettered jurisdiction over industrial, trade and licensing policies, as well as over the management of foreign exchange and of monetary and fiscal instruments. The rural poor, the urban working class, and the fixed income groups have to bear the brunt of the resulting economic cost of the alliance”.²² The political clout of surplus farmers arising out of their hold over vote banks is used to get better terms of trade and other concessions from the monopoly capital. Obviously, the surplus farmers are not a progressive force for changing the political economy in favour of the urban and rural poor, in terms of this perception. No favourable impact of their dominance in the power structure is expected on even economic growth. As P.C. Joshi has expressed, “History knows of no case of any country where modern economic growth even under bourgeois auspices has been achieved with a political coalition in which the initiative and the leading role of industrial groups and urban middle classes is seriously curbed by the rural oligarchs under the slogan of anti-industrialism and ruralism.”²³

21. Ashok Mitra, *Terms of Trade and Class Relations*, London, Frank Cass, 1977; Indian Edition, Calcutta, Rupa, 1979.

22. *Ibid.*, Indian Edition, pp. 170-71.

23. P.C. Joshi, 'Peasants and Struggles for a New Society', *Mainstream*, Vol. 18(35), 26 April 1980, pp. 12 & 33.

The second perception is represented by V.M. Dandekar²⁴ and is accepted by the non-party ideologists of farmers' movements like Sharad Joshi and Nanjundaswamy. In terms of this perception, exploitation of farmers by monopoly capital takes place through unequal exchange in trade relations, and both farmers and rural labour are victims of this exploitation—the latter because the farmers are deprived of proper price and terms of trade. When farmers are unorganised in the market and are many, and demand is controlled by monopoly capital, the trade relations between sellers and buyers can be hardly equitable. The question is not merely one of terms of trade of agriculture deteriorating over time. Irrespective of whether they deteriorate or fluctuate, the exchange relations are on the whole such that farmers receive prices below the real cost of production (inclusive of imputed costs of family labour and farm-produced inputs), whereas industrial goods are sold much above the real costs of production. The industrial prices may of course be made to appear below the apparent cost of production, by appropriating the real surplus in terms of costs as pointed out by Paul Baran.²⁵ Giving away huge entertainment allowances to company directors and executives, overbilling by subsidiary companies supplying inputs, under-reporting of output, making unproductive appointments of relatives and friends, and similar techniques are employed to absorb profits. This is possible because monopoly capitalists are 'price makers', in contrast to farmers who are 'price takers', using Dandekar's terms.

Thus far, the third perception held by the left parties which support farmers' movements on the price issue would also go with the second, except that the left parties would not like to play down the contradiction between the interests of the surplus farmers and those of the rural labour. Hence their emphasis on separate organisation of the latter, on public distribution of essential food, and nationalisation of wholesale trade and agricultural processing. It is not very clear from the left stand whether they would regard the contradiction between monopoly capital and surplus farmers as more basic and primary compared with the contradiction between the latter and the rural labour. In any case, they would support

24. V.M. Dandekar, 'Unequal Exchange: Imperialism of Trade', *EPW*, 5 & 12 January, 1980.

25. Paul Baran, *Political Economy of Growth*, Pelican, 1973, pp. 132-57.

farmers' movements as a progressive force capable of fighting monopoly capital.²⁶ As Mohit Sen of the CPI put it, though apparently farmers' demands on price issues may look inflationary, basically they are anti-inflationary as they would force monopoly capital to discipline their costs.²⁷ The leftist stand earlier was much more in the nature of Ashok Mitra's perception, but since particularly the mid-seventies, the farm lobby within the left parties has dominated. The left intellectuals outside the parties, however, continue to regard the anti-monopoly and progressive character of farmers' movements with scepticism and question the support extended to them.²⁸

There is a vital difference between the second perception of Dandekar *et al.* and the left party stand, particularly regarding the role of the urban working class. The former regards the organised working class as an ally of monopoly capital against the peasantry, whereas the latter regards it as an ally of the peasantry against monopoly capital. According to Dandekar, only monopoly capital is in a position to absorb the constantly increasing wage demands of organised labour, the latter becoming a beneficiary of monopoly in the process. Along with the monopoly capitalist, the 'monopoly labour' is also a 'price maker', according to Dandekar. It is only the unorganised majority who suffer in the process, including farmers, unorganised labour, petty producers and the unemployed.²⁹ Since the alliance for the exploitation is mainly urban in character, Lipton attributes poverty in developing countries to urban bias, reflected on several fronts, including the policy of ensuring adequate supply

26. For an exposition of the leftist position, see Indradeep Sinha, *The Changing Agrarian Scene—Problems and Tasks*, People's Publishing House, New Delhi, 1980; also his 'Factors behind Peasants' Struggle', *Party Life*, March 1981; AIKS (CPI-M), *New Peasant Upsurge—Reasons and Remedies*, 1981; Dev Nathan, 'On Agricultural Prices', *EPW*, 25 December 1982.

27. Mohit Sen, 'Political Economy of I.G. Patel', *Mainstream*, 27 March 1981.

28. An interesting dialogue ensued between Indradeep Sinha and 'Economist' on this question in *Mainstream*, extending over several issues in 1981; quite a few reputed economists like C.H. Hanumantha Rao (see fn. 15), V.K.R.V. Rao (see fn. 10 in Ch. 2), K.N. Raj (*Mainstream*, February 7, 1981), I.G. Patel (*RBI Bulletin*, December 1980), and H.K. Paranjpe (*Mainstream*, February 7, 1981), have advised caution in extending support to farmers' demands on price issues, though they are keen on ending rural poverty.

29. See V.M. Dandekar, 'Nature of Class Conflict in the Indian Society in the Marxian Framework', *Artha Vijnana*, Vol. 20(2), June 1978, esp. pp. 120-21.

of food to the urban working class at low prices at the expense of farmers.³⁰

Unfortunately, this so-called ally of monopoly capital is constantly fighting a losing battle in spite of all its organised strength. The recent textile workers' strike in Bombay under Datta Samant shows how helpless it is. Even in terms of hard statistics, Venkataramaiah has shown that in the sixties when the real *per capita* income was increasing real wages in the organised sector were either stagnant or declining.³¹ The National Accounts Statistics show that compensation of employees in the non-agricultural sector accounted for 54 per cent of the NDP from this sector in 1970-71, but their share declined to 50 per cent in 1978-79 though the share in terms of overall NDP increased because of the increase in non-agricultural NDP. This share remained at the same level in 1981-82 as in 1978-79. The Annual Survey of Industries data also show for both Karnataka and India that the share of emoluments in both output and value added declined significantly between 1970 and 1978-79 (see Table 5.1). If potential surplus appropriated by capitalists as costs were to be adjusted for, and if emoluments of top executives were excluded, the share of labour would be still lower than is indicated by official statistics, and the decline therein would also be greater. In *per capita* real terms, there has hardly been an increase in emoluments. As

TABLE 5.1: *Emoluments as per cent of value added and output in organised industries*

	As % of value added		As % of output	
	1970	1978-79	1970	1978-79
India	59.1	48.6	14.6	11.4
Karnataka	42.6	35.9	14.7	12.0

Source: Computed from Annual Survey of Industries, 1970 and 1978-79.

30. See also D.M. Nanjundappa for similar views—'Rural Urban Conundrum in Indian Planning', Presidential Address at the 64th Annual Conference of the Indian Economic Association, December 1981, *Indian Economic Journal*, April-June 1982, pp. 1-18.

31. P. Venkataramaiah, 'Is organised labour exploiting or exploited?' *Artha Vijnana*, Vol. 20(2), June 1978, pp. 135-42.

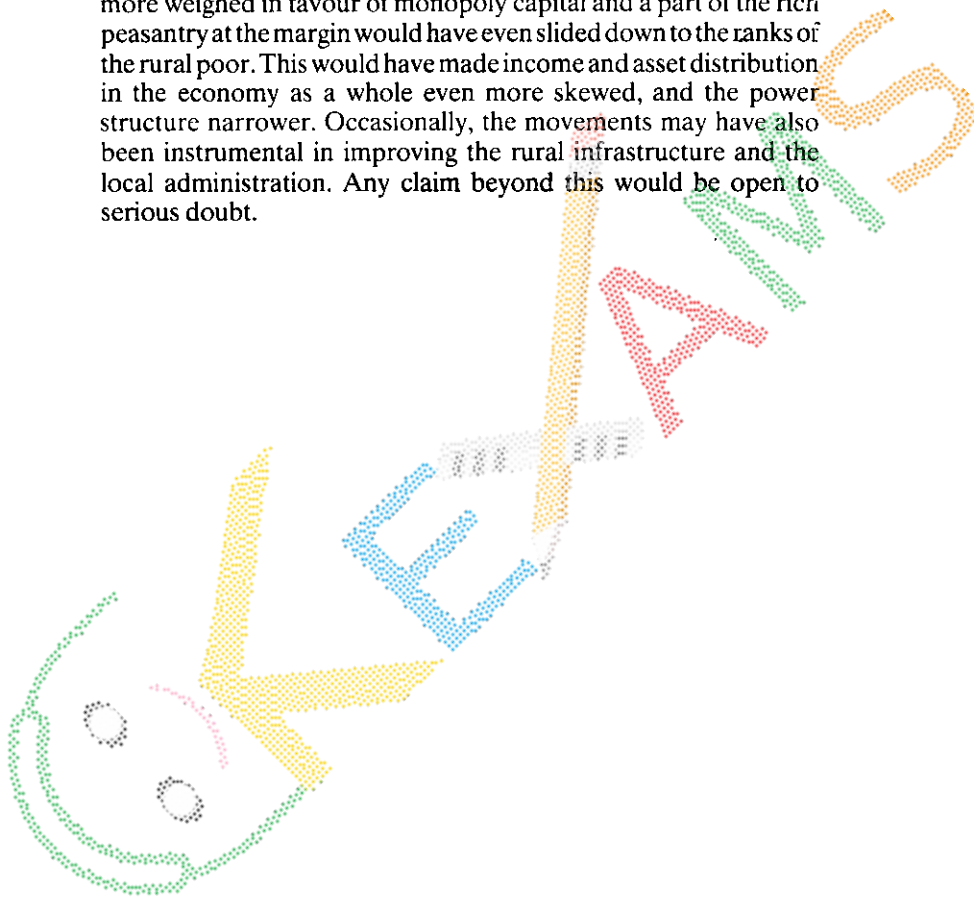
Venkataramaiah said, "The fact of the matter is that the organised working class is being exploited under the veil of upliftment of the unorganised. If neither the organised working class nor the unorganised working class had any share in the increased national product, who is appropriating it?"³²

It is for this reason that the left parties regard the peasant-working class alliance as the best guarantee for defeating monopoly capital and for a progressive transformation of the economy as a whole. Unfortunately this has not worked in practice. We have seen how in the course of farmers' movements, the left parties have been systematically weakened and isolated, how the so-called non-political fronts gained ascendance, and how this process increased the power of the rich farmers in rural areas particularly *vis-a-vis* agricultural labour. The left perception did not work in practice because it was a compromise with election politics at the cost of the time-tested Marxist principle of contradiction between the propertied class and the non-propertied class as the the most fundamental one. The compromise was hardly productive even as a strategy, as the rich farmers do not trust them anyway. An 'alliance' with the rich world have worked only if the left were dominant enough to control them. What the left parties failed to appreciate is that the rich farmers are interested neither in an alliance with workers nor in the goal that the left parties would believe them to be having. The rich farmers have already a place in the power structure, though they may not feel secure enough in it. There are, no doubt, contradictions between them and the industrial bourgeoisie, but they are being resolved at the cost of others. The aim of surplus farmers is to consolidate their position in the power structure and improve their terms *vis-a-vis* the urban propertied class by using their political clout. Such being the case, the 'urban bias' perception also turns out to be purely populist and misleading, by disguising the real working of the political economy. If indeed the 'urban bias' as per the second perception or the bourgeoisie-peasant contradiction in terms of the third (left) perception, was really reflected in price policy on a long-term basis, it needs to be checked in terms of objective evidence, which is done in the chapter that follows.

In terms of the political economy of the situation, we have enough

32. *Ibid.*, p. 142.

evidence now to conclude that farmers' movements could be said to have a progressive character only in a limited sense. In the absence of these movements, the power structure would have been even more weighed in favour of monopoly capital and a part of the rich peasantry at the margin would have even slid down to the ranks of the rural poor. This would have made income and asset distribution in the economy as a whole even more skewed, and the power structure narrower. Occasionally, the movements may have also been instrumental in improving the rural infrastructure and the local administration. Any claim beyond this would be open to serious doubt.



CHAPTER 6

Price Policy Issues

INTRODUCTION

We have noted that there has been discontent about price policy on several counts—that it has failed to give parity prices for agriculture or to prevent deterioration in terms of trade, that it does not enable farmers to cover costs of production, that the procurement prices are lower than market prices, that these prices do not cover the costs, and that prices are deliberately depressed and distorted as indicated by their being lower than the world market prices. Policies like movement restrictions and levies have been opposed not only on the ground of their being depressive on prices but also oppressive in terms of the harassment caused. The discontent is not entirely unfounded, yet it would be misleading to swear by these beliefs as nothing but the whole truth. They need to be examined, rather than taken for granted. They also raise the question whether any of these criteria such as terms of trade, cost of production, or world prices could be mechanically used either to assess the reasonableness of prices or to determine the procurement prices. We have also to note that the concern of the price policy has to be not only one of ensuring reasonable prices to farmers, but also of imparting stability to them, and striking a balance between the interests of the farmers and those of the consumers.

TERMS OF TRADE

The commodity terms of trade of agriculture refer to the ratio of prices received by agriculture to prices paid. Strictly speaking, merely relative prices like the ratio of wholesale prices of agricultural commodities to those of non-agricultural goods cannot represent these terms of trade, though one can expect a fairly good positive correlation between the two. Though the relative

wholesale prices cannot be used as a reliable basis for announcing procurement prices (if the latter are to be derived from a parity relationship), the trend in the two is not expected to be in diverse directions over a period. Farm prices received by farmers at harvest periods follow the improvements in wholesale prices. Similarly the retail prices paid by farmers on the goods procured by them follow their wholesale prices. However, this relationship is subject to minor fluctuations in short periods. In any case, relative wholesale prices are not accurate indications of terms of trade.

To be more accurate, it is not enough to take market prices received by farmers as is usually done in such calculations. The weighted average of procurement and market prices would have to be taken as prices received. However, terms of trade do not seem to have been calculated so far in this way, and could to that extent be said to be having a bias of showing them in favour of agriculture. This is because, procurement prices have tended to increase at a somewhat slower rate than market prices.¹ This has also an important implication in fixing procurement prices. If procurement prices are to be linked to a parity, then the actual terms of trade would be going in favour of agriculture and not just maintaining parity, because the weighted average of procurement, and market prices (which would represent prices received) would always be above, and moving faster than, procurement prices.

The leaders of farmers' movement often tend to compare movements in the prices of individual crops with similar movements in the prices of individual inputs such as farm machinery, fertilisers and pesticides. Kahlon himself, who was the Chairman of the Agricultural Prices Commission and known to be sympathetic to farmers' demands for parity price, has pointed out how

1. Raj Krishna and Raychaudhuri have shown that during the period 1965-66 to 1975-76, the elasticity of procurement prices with respect to wholesale prices (in two preceding years) was 0.63 in the case of wheat and 0.65 in the case of rice for the country as a whole. If it is recalled that procurement prices do not respond to a fall in market prices but only to an increase, and that elasticity here is an average responsiveness to both directions, it could be said to be underestimating the responsiveness to increase in market prices. However, years of a fall in market prices are less frequent and much less so at an aggregative level of the agricultural sector as a whole. See Raj Krishna and Raychaudhuri, *Some Aspects of Wheat and Rice Price Policy in India*, World Bank Staff Paper No. 381, April 1980, pp. 17 and 20.

such comparisons are misleading, as they ignore the weights of these inputs in the cost of production. For example, tractor has a weight of only 0.28 per cent in sugarcane in Maharashtra, 0.74 per cent in cotton and 1.47 per cent in paddy in Andhra Pradesh. When the weight is small even a significant rise in the prices of such inputs affects the cost of cultivation only marginally, he explained. Even fertiliser has a weight of only 17.58 per cent in the cost of wheat cultivation, which means that output prices do not have to rise in the same proportion as fertiliser prices.²

The concept of terms of trade has serious limitations even as an exclusive guide to movements in farm incomes, let alone as a rigid formula for price fixation. The movements in relative monetary income are determined both by real income and terms of trade and not by the latter alone. Any attempt to place exclusive emphasis on the latter means choosing a dubious means of income generation, and denying the benefit of technological change to society at large. As Bhalla said, such a strict parity implies that any technological change in any sector must not lead to any cost or price changes of various inputs, or that such changes must be fully compensated for each sector.³ No economy has ever achieved such a thing, nor is it a meaningful goal to achieve. A technological change would be smothered if it recognises no change in costs and permits no benefit to society. But this consideration applies not only to agriculture but to the manufacturing sector as well. We cannot expect agriculture alone to pass on the benefit of technological change to consumers. If technological change is faster in the manufacturing sector, costs should decrease more in this sector. Though terms of trade do not by themselves show how relative incomes have changed, they indicate what role relative prices played in determining relative incomes, or even absolute incomes of farmers in real terms.

The terms of trade have a particular significance in extrapolating costs in the short- or at the most medium-term periods up to about 4 years, since it is expensive and unnecessary to conduct extensive cost surveys every year, and, even if conducted, they

2. A.S. Kahlon, 'Agricultural Prices—Some Basic Concepts', *Economic Times*, 4 March 1981.

3. G.S. Bhalla, 'Peasant Movement and Agrarian Change in India', in Y.V. Krishnarao et. al. (eds.) *Peasant Farming and Growth of Capitalism in Indian Agriculture*, Vijayawada, Vishalandhra, 1984, p. 213.

provide information with a greater time lag than in the case of terms of trade. Any rigid application of terms of trade for long run would mean ignoring technological change and changing weights of inputs.

Even in short- or medium-term application, terms of trade have limitations. For example, an erratic rise in output price in a year resulting from either crop failure or speculation, does not have to be protected and given a ratchet effect out of tune with the cost structure and the relative crop prices. Similarly, a rise in the price of manufactured goods purchased by farmers may be shared by urban consumers too, and the result of indirect taxes to curb luxury consumption or to regulate the use of scarce resources. Such a price rise has to be allowed to exert its impact rather than be neutralised. Due to the existence of indirect taxes and subsidies, a movement in the prices paid by agriculture does not necessarily correspond to a similar movement in the prices received by the non-agricultural sector. Moreover, if the proceeds of taxes are spent on agricultural and rural development, farmers would still make a net gain, even if retail non-agricultural prices have increased.

While these limitations cannot be lost sight of, it is necessary to realise that terms of trade have a great popular appeal, and not without reason. It is true that studies of the aggregate supply function in agriculture have not shown high responsiveness to output/input price ratios, though it is observed in the case of individual crops, with respect to the relative prices of crops. Even in the latter case, the availability of high yielding technology and greater certainty of output have been more important factors than relative prices as noted in the case of wheat *vis-a-vis* pulses and oilseeds. The main reason for a limited supply response in aggregate supply function is the constraint imposed by land, whereas in crop substitution land itself is shifted from one crop to another, accounting for greater responsiveness. However, the constraint on land is relaxed through improvement in productivity, and, in turn, through adoption of the high yielding technology and modern inputs. The scope for increased responsiveness to output prices relative to input prices is thus enhanced, the productivity of inputs being another, and probably a more important, factor.

The terms of trade become particularly significant when technological change has tapered off and also for those who have already adopted HYVs and whose only source of maintaining their income is through stable output-input price ratios, assuming stable

output. The demand for parity prices is a reflection of the crisis in agriculture—the crisis of stagnant or even falling per capita productivity, which the farmers hope to resolve through price demands.

There have been a few well known attempts to estimate terms of trade of agriculture taking into account weights of commodities actually entering sale and purchase. Tamarajakshi constructed a series of net barter or commodity terms of trade and also income terms of trade (i.e., the former multiplied by marketed surplus at constant prices)—first for the period 1951-52 to 1965-66,⁴ and then updated them later up to 1974-75 in the light of new data available even for the earlier period.⁵ Both estimates by her gave consistent results and showed a favourable movement for agriculture over the periods, for all the alternative series tried. Between 1951-52 and 1974-75, net barter terms of trade increased at the compound rate of 1.43 per cent per annum while income terms of trade increased by 4.53 per cent per annum (the latter up to 1973-74).

Kahlon and Tyagi have questioned the earlier calculations of terms of trade and presented their own.⁶ They claim to have made a more comprehensive coverage of all goods traded between the two sectors, used more relevant weights and also used harvest prices as indicators of prices received instead of the usual wholesale price indices. Tamarajakshi had taken into account products exchanged for final and intermediate use, but not items of capital formation. Moreover, Kahlon and Tyagi could use NSS data of 26th round which has a more detailed classification and also the data on gross capital expenditure thrown up by the All-India Debt and Investment Survey. For the same reasons, they could use more relevant weights. Kahlon and Tyagi have also questioned the use of income terms of trade on the ground that they cannot indicate movement of income of one sector relative to that of another sector.

4. R. Tamarajakshi, 'Inter-sectoral Terms of Trade and Marketed Surplus of Agricultural Produce, 1950-51 to 1965-66', *EPW*, Vol. 4(26), 28 June 1968, Review of Agriculture.

5. R. Tamarajakshi, 'Role of Price Incentives in Stimulating Agricultural Production in a Developing Economy', in D. Ensminger (ed.) *Food Enough or Starvation for Millions*, Rome, FAO, 1977.

6. A.S. Kahlon and D.S. Tyagi, 'Inter-sectoral Terms of Trade', *EPW*, Vol. 15(52), 27 December 1980, Review of Agriculture.

All that the income terms of trade can show is how purchasing power of marketable surplus has changed in relation to prices paid. The concept is such that an improvement in its value for both of the sectors simultaneously is possible, whereas 'Terms of Trade' is essentially a relative concept.

The terms of trade as calculated by Tamarajakshi and Kahlon-Tyagi are presented below in Table 6.1.

Though the trend in the terms of trade as per Tamarajakshi is positive and the same as per Kahlon and Tyagi is negative, it is to be noted that the periods involved are different. The divergence in trends cannot be attributed only to refinements introduced by Kahlon-Tyagi, but also to the fact that the terms of trade which

TABLE 6.1: *Terms of trade of agriculture* as per Tamarajakshi and Kahlon-Tyagi*
(Triennium ending 1971-72 = 100)

Tamarajakshi			Kahlon-Tyagi		
Year	Net barter terms of trade †	Income terms of trade †	Year	Net barter terms of trade vis-a-vis	
				all goods	intermediate consumption by agriculture
1960-61	80.4	56.9	1970-71	100.0	100.2
1965-66	92.0	70.5	1971-72	97.5	100.9
1966-67	98.9	73.4	1972-73	103.5	106.7
1967-68	100.5	85.3	1973-74	109.6	114.8
1968-69	93.5	81.7	1974-75	99.9	88.7
1969-70	101.1	95.1	1975-76	84.6	73.7
1970-71	102.4	101.8	1976-77	90.6	82.0
1971-72	96.5	103.2	1977-78	90.7	85.1
1972-73	95.6	98.9	1978-79	86.8	86.2
1973-74	110.1	117.3	1979-80	82.8	90.7
1974-75	107.7	N.A.			

*Refer to all agricultural commodities.

†Vis-a-vis all non-agricultural products purchased by agriculture.

Note: Tamarajakshi's estimates, originally with 1960-61 as base, have been adjusted here to make them comparable with Kahlon-Tyagi estimates.

Source: Tamarajakshi (1977), *op. cit.*, Kahlon and Tyagi, *op. cit.*, and personal communication from Tyagi, dated 20 May 1983.

moved favourably earlier did turn against agriculture after 1973-74. Even Tamarajakshi's series show a reversal for 1974-75. However, this decline has to be seen from a long-term perspective, before concluding that this is an evidence of unequal exchange or urban bias.

An independent estimation of the relative prices and terms of trade of agriculture, based on National Income Statistics, has been made below with this purpose. National Income data are published by the Central Statistical Organization in terms of both constant and current prices at disaggregated levels as well. From these we can obtain implicit deflators, which can be used to derive relative prices and terms of trade of agriculture. An advantage of using implicit deflators from this source is that there are no fixed weights in the series derived and they allow changing magnitudes of traded goods from year to year. Since the problem of fixed weights does not arise here, we can have even a long-term look at terms of trade derived from implicit sectoral deflators and see whether indeed there has been a deterioration for agriculture. However, these terms of trade cannot be used for price fixation, both because weights are not pre-determined and because such estimates are available with a greater time lag than in the case of prices of individual goods or inputs. For extrapolation, weights and prices of individual goods or inputs are necessary, whereas national income deflators throw insights into inter-*sectoral* terms of trade. It may also be noted that national income at factor cost does not take into account indirect taxes and subsidies. In a way, this is an advantage, which the wholesale or retail relative prices do not have. We have already remarked above that terms of trade inclusive of indirect taxes are not relative to actual prices received by the non-agricultural sector. Deflators of national income at factor cost are free from this distortion and indicate relative prices received by the two sectors. This gives an opportunity to test whether, when, and how far agriculture has been a victim of unequal exchange and urban bias at least within the country.

Table 6.2 that follows presents the implicit deflators for both agricultural and non-agricultural income at factor cost and ratios of the two, which indicate relative prices of agriculture for 36 years from 1948-49 to 1983-84.⁷ These are not, strictly speaking, terms of

7. Since the national income deflators were not available for the last two years (1982-83 and 1983-84) at the time of writing, they were estimated through

TABLE 6.2: All-India implicit sectoral deflators and relative agricultural prices derived from National Income data (1970-71 = 100)

Year	Implicit deflators*		Relative price (%)	Year	Implicit deflators		Relative price (%)
	Agriculture	Non-agriculture			Agriculture	Non-agriculture	
1948-49	42.9	56.7	75.7	1966-67	95.4	81.7	116.8
1949-50	44.2	57.5	77.1	1967-68	101.3	88.2	114.8
1950-51	48.3	59.0	81.9	1968-69	97.7	90.4	100.1
1951-52	48.5	60.2	80.6	1969-70	100.7	94.8	106.3
1952-53	44.9	58.4	76.5	1970-71	100.0	100.0	100.0
1953-54	45.7	58.1	78.7	1971-72	104.3	106.2	98.2
1954-55	37.1	56.8	65.3	1972-73	123.3	113.4	108.8
1955-56	38.6	56.7	68.1	1973-74	155.1	127.8	121.4
1956-57	45.1	57.1	79.0	1974-75	171.4	156.3	109.7
1957-58	45.2	58.9	76.8	1975-76	142.9	164.8	86.7
1958-59	48.1	59.2	81.4	1976-77	158.2	171.4	92.3
1959-60	48.6	59.8	81.3	1977-78	160.4	181.4	88.4
1960-61	50.1	60.2	83.2	1978-79	158.0	187.0	84.5
1961-62	51.2	61.1	83.8	1979-80	183.8	208.5	88.1
1962-63	53.6	62.9	85.3	1980-81	200.6	234.2	85.6
1963-64	60.7	66.1	91.8	1981-82	216.9	260.0	83.4
1964-65	68.3	70.6	96.7	1982-83	228.0†	264.3†	86.3
1965-66	77.6	74.9	103.7	1983-84	256.2†	280.5†	91.3

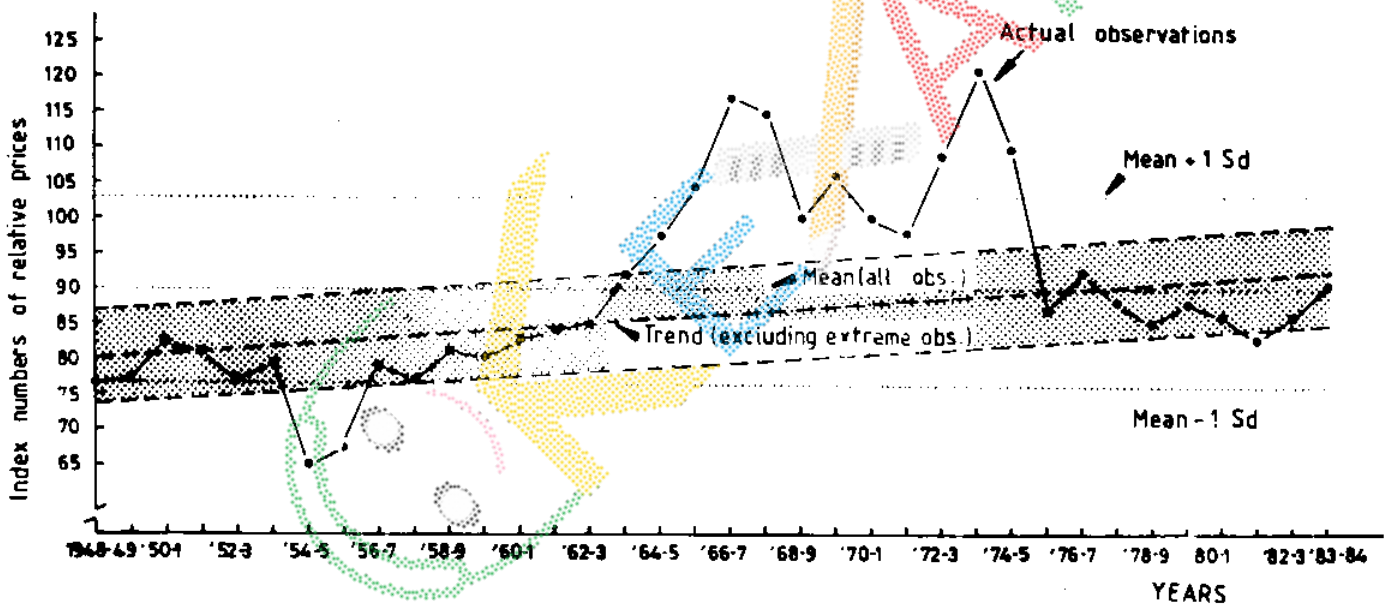
*Derived from Sectoral National Income at factor cost at constant and current prices.

†Estimated (see fn. 7).

Sources: *Estimates of National Income—1948-49 to 1962-63*, CSO, February 1964 (original base of 1948-49 converted here to 1970-71); *Indian Agriculture in Brief*, December 1982, 19th Ed.; *Currency and Finance Report*, 1982-83, RBI; Wholesale Price Index numbers used for regression (for the last 2 years) as per *Economic Survey*, 1983-84, and January–April 1984 issues of *E.P. W*

Relative Agricultural Prices (1970-71 = 100)
 derived from sectoral deflators implicit in
 national income data

Obs = Observations Sd = Standard deviations



trade of agriculture, since the composition of particularly the non-agricultural income is not the same as the composition of goods purchased by the agricultural sector.

A visual impression of the movements in the relative prices received by agriculture can be had from the Figure. The actual observations show two peaks (1966-67 and 1973-74) with a little depression in between. However, the relative prices after 1975-76 come close to—though a little higher than—their level before 1963-64 (ignoring the slump in 1954-55 and 1955-56). It is visually evident that the relative prices during the recent years represent a reversal to the long-term central tendency, rather than a genuine deterioration from a normal parity level. The relative prices during 1970-71 themselves were hardly normal, and were part of the turbulent period between two major droughts.

A further statistical processing confirms this visual impression. The linear trend fitted to all observations of the relative prices showed a statistically significant (at 1 per cent level) growth rate of 0.68 per cent per annum at the mean, and certainly no long-term deterioration. However, this could be regarded as superficial because of the slump in the two early years and marked by bumper harvests and droughts in the later years. The extreme values were, therefore, removed, identified as those beyond one standard deviation (viz. 13.6) both ways of the mean (viz. 89.7). A linear trend was fitted again to the remaining observations, which is shown in the figure along with a band of one standard deviation around the trend. This trend also was statistically significant at 1 per cent level, and showed a growth rate of 0.38 per cent per annum at the mean (viz. 86.1). It may be noted that 22 out of 36 observations are within 95 per cent confidence interval from this trend line, and the so-called parity year (1970-71) with reference to which the terms of trade were seen above to have declined, is well above this normal band of relative price movements. The position in 1981-82 also is below this band, but only slightly so. The kind of slump below this band, witnessed in the mid-fifties, has not recurred later, and the deterioration in 1975-76 has been a return to normalcy, though it proceeded to a

linear regression equations deriving the relationship between them and wholesale price index numbers of agricultural and non-agricultural commodities respectively for the period 1970-71 to 1981-82. The parameters in both the equations were statistically significant at one per cent level.

little more than a necessary extent in 1981-82, but staging a reversal shortly thereafter. Incidentally, the estimated agricultural relative price for 1983-84 was almost on the trend line itself, and could be said to represent a long-term balance between the sectors.

This reversal to normalcy was inevitable. This was so not only because of the hike in petroleum prices and subsequent cost push that the economy experienced, favouring mainly the non-agricultural sector, but also because the earlier demand pull inflation which had clearly favoured agriculture could not be sustained, at least relatively to the non-agricultural sector if not in absolute terms. The increase in foodgrains output due to the impact of HYVs somewhat slowed down the rise in agricultural prices after 1967-68, except that the drought of 1972-73 gave them a sharp upward push, particularly in 1973-74. Taking the period from 1960-61 to 1973-74, agricultural prices had increased at an average annual rate of 7.7 per cent per annum, but slowed down to 4.0 per cent per annum during the subsequent period from 1973-74 to 1981-82. On the other hand, non-agricultural prices which increased by 5.8 per cent per annum during the former period, increased by 7.7 per cent per annum during the latter period.⁸ The slow-down in agricultural prices was not necessary because all had enough food to eat. The lack of purchasing power among the poor imposed a constraint on the demand pull on foodgrains at the going prices. Even if an increase in agricultural prices is justified in terms of increase in production they are supposed to stimulate, a greater production of wage goods—particularly at such cost—does not by itself ensure its consumption, nor alter the distribution of income in favour of the poor. Actual transfer of incomes should precede or at least accompany an increase in wage goods production, as Patel rightly said.⁹ At the other end, the low income elasticity of demand for food on the part of the rich, who had enough of food and could sustain the cost push in the non-agricultural sector through their purchases from this sector, also contributed to the reversal of relative prices in favour of this sector.

8. These are linear trends expressed as per cent at mean. They are statistically significant at 1 per cent level.

9. I. G. Patel, 'On a Policy Framework for Indian Agriculture', *RBI Bulletin*, Vol. 34(12), December 1980, p. 957.

It may be recalled, however, that the trend fitted to relative prices even after removing extreme values of slump in earlier years and droughts in later years, was positive, not negative as alleged. The long-term trend has gone in favour of agriculture. Even if agricultural prices are not manoeuvred to go too fast in relation to other prices and wages through political pressure, the normal tendency is still for an increasing demand for agricultural commodities more than for others. This ensures a favourable movement in the terms of trade for agriculture even in the long run. The policy concern has been to moderate this, so that it does not turn into unbridled inflation, as Prof M.L. Dantwala said in 1970. This seems to be relevant even today.¹⁰ This policy concern cannot be termed as urban bias, as it has not resulted in a long-term deterioration of the relative prices received by agriculture. Keeping the income flow continuously in favour of the underfed population would ensure a continuous upward trend in terms of trade of agriculture, more than a policy of artificially increasing agricultural prices to levels where such demand cannot be sustained. The terms of trade crisis of the seventies probably was as much due to the failure of keeping the income flow in favour of the poor to match with price increase, as it was due to the hike in petroleum prices.

While Table 6.2 presented relative prices irrespective of the composition of goods purchased by the agricultural sector, Table 6.3 narrows down the focus on agricultural prices relative to the prices of material inputs used in agriculture, and not all the non-agricultural goods as in Table 6.2. Unfortunately, comparable series for the earlier years could not be constructed. The terms of trade as presented in Table 6.3 are more relevant to farmers' production decisions, but they also ignore the items of personal consumption purchased by farmers. It may be noted, however, that inputs here do not include expenses on labour, since they form a part of the value added in agriculture, though from the point of view of farmers they are deductible expenses. Since wage rates have not kept pace with agricultural prices (except in Punjab and Kerala), their inclusion would actually show the terms of trade more in favour of agriculture. Table 6.3 is with reference to only those inputs which are deducted from gross value of output to arrive

10. Presidential Address to the Indian Economic Association. 'From Stagnation to Growth', *Indian Economic Journal*, Vol. 18(2), October-December 1970.

TABLE 6.3: Terms of trade of agriculture in India with respect to material inputs, as derived from National Income data

Year	Implicit deflators				Terms of trade vis-a-vis inputs		
	Agricultural output	All material inputs used in agriculture	Industrial inputs used in agriculture		All inputs (2) ÷ (3)	Industrial inputs	
			including electricity	excluding electricity		including electricity (2) ÷ (4)	excluding electricity (2) ÷ (5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1970-71	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971-72	104.5	105.4	102.0	101.4	99.2	102.5	103.1
1972-73	122.1	118.9	107.3	107.3	102.8	113.8	113.8
1973-74	152.0	142.5	114.0	113.0	106.6	133.3	134.5
1974-75	171.6	173.9	208.7	216.4	98.7	82.2	79.3
1975-76	147.4	162.5	207.8	214.3	90.7	71.0	68.8
1976-77	161.4	173.3	205.7	211.6	93.1	78.5	76.3
1977-78	165.2	180.3	196.2	201.8	91.6	84.2	81.5
1978-79	164.1	181.7	198.4	204.9	90.3	82.7	80.1
1979-80	189.2	199.8	207.7	214.4	94.7	91.1	88.3
1980-81	216.2	249.8	279.9	294.4	86.6	77.3	73.4
1981-82	232.2	281.2	339.2	357.4	82.6	68.5	65.0
1982-83	243.0*	281.2*	339.2*	357.4*	86.4	71.6	68.0
1983-84	275.3*	302.8*	366.4*	386.8*	90.9	75.1	71.2

*Estimated (see the text and fn. 12 for the method used).

Note: Agricultural output includes livestock, hunting and trapping, but excludes forestry and fishing. Industrial inputs here include chemical fertilizers, electricity, pesticides and insecticides, and diesel oil only. 'All inputs' exclude expenditure on labour and consumption of fixed assets or depreciation.

Source: Derived from CSO, *National Accounts Statistics*, various volumes, disaggregated tables.

at value added. In view of the increasing importance of industrial inputs, the terms of trade *vis-a-vis* these inputs are presented separately. Further, industrial inputs including and excluding electricity are separately presented to see the difference made by electricity.¹¹ It may be recalled that farmers' agitations have often focussed on electricity charges.

Table 6.3 and 6.4 have been derived from disaggregated statements in National Accounts and SDP Statistics showing gross value of output, inputs and value added in the agricultural sector at current and constant prices. Though output estimation is at factor cost, inputs are estimated in terms of maximum retail prices inclusive of central excise and subsidies, but exclusive of sales and other local taxes. Central subsidies on fertiliser have increased from Rs.97 crores in 1974-75 to Rs.1080 crores in 1984-85 (budget).

For the last two years, the needed data about NDP and SDP were not available at the time of writing; the terms of trade were, therefore, estimated for 1982-83 and 1983-84 on the basis of the past relation between the wholesale price index numbers of agricultural commodities and implicit deflators for agricultural output, and a similar relation between wholesale price index numbers of manufactured goods and implicit deflators in industrial inputs.¹²

Table 6.3 confirms that terms of trade of agriculture have deteriorated after 1973-74 with respect to prices of material inputs used in agriculture. The index (1970-71 as base) with reference to all inputs stood at 83 in 1981-82, just as in the case of relative prices above. It is evident however, that the deterioration is more with reference to industrial inputs, particularly if electricity is excluded from them. Electricity actually acted to offset the deterioration in

11. In 1980-81, at constant prices, electricity as an input accounted for only 9.7 per cent of total industrial inputs comprising chemical fertilisers, pesticides, insecticides, diesel oil and electricity. As a proportion of all inputs used in agriculture, it was only 3.4 per cent. The industrial inputs accounted for 35.3 per cent of all inputs in the same year.
12. The regression co-efficients obtained from the period 1970-71 to 1981-82 were statistically significant at 0.1 per cent level. Since the constants were not equally dependable, the deflators for 1982-83 and 1983-84 were calculated by using the actual observations for 1981-82 (in cols. 2 to 5) as constants and adding to them the product of the concerned regression co-efficient multiplied to the change in respective wholesale price index numbers (from 1981-82) in respective years.

TABLE 6.4: Terms of trade of agriculture in Karnataka with respect to material inputs, as derived from National Income data

Year	Implicit deflators				Terms of trade vis-a-vis material inputs		
	Agricultural output	All material inputs used in agriculture	Industrial inputs used in agriculture		All inputs (2) ÷ (3)	Industrial inputs	
			including electricity	excluding electricity		including electricity (2) ÷ (4)	excluding electricity (2) ÷ (5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1970-71	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1971-72	99.3	102.1	102.1	101.6	97.3	97.3	97.7
1972-73	117.0	115.0	110.6	110.6	101.7	105.8	105.8
1973-74	145.0	141.0	124.9	122.4	102.8	116.1	118.5
1974-75	166.5	170.8	224.7	227.2	97.5	74.1	73.3
1975-76	139.8	162.9	226.9	229.8	85.8	61.6	60.8
1976-77	158.3	166.6	211.8	214.4	95.0	74.7	73.8
1977-78	149.5	166.3	205.8	207.2	90.0	72.6	72.2
1978-79	143.7	174.8	200.2	199.1	82.2	71.8	72.2
1979-80	171.1	190.3	204.6	201.8	89.9	83.6	84.8
1980-81	205.6	216.4	254.4	254.2	95.0	80.8	80.9

Note: Agricultural output includes livestock excluding sericulture. Inputs also exclude the cost of rearing silk worm. Industrial inputs comprise items as in Table 6.3.

Source: Unpublished disaggregated data by courtesy of SDP Division, Directorate of Economics and Statistics, Karnataka.

the agricultural terms of trade because of its relatively stable prices as paid by agriculture. The deterioration in terms of trade has, however, been reversed after 1981-82, due to a slow-down in the prices of inputs. The deterioration, particularly with reference to industrial inputs excluding electricity, had proceeded rather too far, and very much needed a reversal. But it would be unrealistic to express the relative position of 1970-71 to be restored, considering that this level itself was quite in favour of agriculture beyond normalcy, as discussed above.

The story of several States conformed to the national pattern. The Karnataka figures at any rate conformed to this pattern which can be seen from Table 6.4. The deterioration in the terms of trade of agriculture in Karnataka was, however, sharper than in the country as a whole between 1973-74 and 1978-79. But the droughts of 1979-80 and 1980-81 in the State significantly increased the prices of agricultural commodities and reversed the decline in terms of trade, so much so that in 1980-81 the terms of trade index numbers were at a higher level in Karnataka than in the country as a whole. Taking the whole decade into consideration, the deterioration was comparatively less in Karnataka.

A difference between Karnataka and the country as a whole is that electricity made no difference in Karnataka unlike, as seen in the preceding table, in the country as a whole. This may be because it accounted for a mere 4.9 per cent of industrial inputs in 1980-81 (at 1970-71 prices) in Karnataka which is much less than in the country as a whole, the lion's share being that of chemical fertilisers with 69 per cent. As a proportion of all material inputs, electricity accounted for only 1.4 per cent and fertilisers 18.8 per cent in the same year (at 1970-71 prices). After 1980-81, the share of electricity at current prices would have gone down further in view of the several further concessions granted.

While concluding this section, it may be observed that no economy can sustain for long an abnormal distortion in the relative prices in favour of one sector or another. It tries to resolve this distortion through a compensating change in another sector, through a competition in inflation—a competition of dubious merit. Wherever significant departures from the normal range as indicated in Figure 1 have occurred, they have been in favour of agriculture, except only in two years—1954-55 and 1955-56 when agricultural prices had crashed due to bumper

harvests. Such a crash below the normal range has not recurred again. Moreover, this crash was of a smaller magnitude than that of the rise in 1966-67 and 1973-74. This is not surprising in a growing economy. This should put at rest the contention that there is either a deliberate attempt or inherent tendency to turn the terms of trade against agriculture. It is only through a balance that the two sectors can thrive, and no one sector can grow at the cost of the other. There has been a comparative stability in the terms of trade since 1975-76, fluctuating within the normal range in spite of a severe drought (1979-80) and subsequent good harvests.

COST OF PRODUCTION: CONCEPTUAL ISSUES

The question of agricultural prices covering the cost of production also bristles with a few difficulties and mistaken notions. It must first of all be appreciated that the question of price fixation by the government, taking into account the cost of production, arises only in the case of procurement and support operations and that, by and large, market prices prevail above the procurement and support prices. The question of farmers being deprived of market prices and the propriety of the procurement system may be deferred for discussion to a subsequent section. We may concentrate here mainly on the question as to how the APC takes note of the cost of production, what cost concepts are used and their propriety.

Investigations of the cost of cultivation and profitability were launched in the fifties by the Directorate of Economics and Statistics, Department of Agriculture, Government of India, through "Studies in the Economics of Farm Management" for various crops and regions. After the APC was set up in 1964, the need was felt for a more regular and timely collection of cost data to aid in making recommendations on the procurement and support prices. The Directorate, therefore, initiated systematic and regular studies under the "Comprehensive Scheme of Studying Cost of Cultivation of Principal Crops" through Agricultural Universities. Started on a modest scale in 1970-71, covering four States, the scheme now covers almost all the States. The cost data for the selected crops and regions are published from time to time in the APC reports, though limited in content. The problem of the time lag does not appear to have been solved as the APC reports for a given year seem to have cost data which are a minimum of two years old

and occasionally much older. The time lag cannot be reduced below two years, which indicates the limitations in mechanically relying on the cost of production data in announcing procurement prices for a given year, since such data are just not available.

Let us first probe into the concept of costs employed. Four concepts of costs were employed by the Farm Management Studies which have continued to be useful today, though with some modifications. These concepts are:

- A_1 = All actual expenses in cash and kind incurred by owner operators;
- A_2 = Cost A_1 + rent paid for leased in land;
- B = Cost A_2 + rental value of owned land (net of land revenue) and interest on owned fixed capital excluding land;
- C = Cost B + imputed value of family labour.

The APC has been taking into account two cost concepts in recommending prices: (a) Cost A_3 which is Cost A_2 plus imputed cost of family labour, and (b) the most comprehensive of cost concepts—Cost C . The policy seems to cover the former by a comfortably good margin, and at least just cover the latter as far as practicable, though not necessarily for every state and every year. The Farm Management Studies had shown that though Cost A_2 is covered by most of the farmers, many—particularly small farmers—could not cover Cost C . Though variable costs were covered, fixed costs like the imputed value of family labour and the imputed interest on owned fixed capital were not covered by all. This indicated a sad state of affairs and the fact that a significant proportion of holdings were not viable in the long run, unable to meet the needs of replenishment of capital, let alone making net addition to capital. It was felt, therefore, that the prices should cover Cost C rather than Cost A alone. Covering Cost A_3 ensures only the survival of the farm and farm family in the short run, while covering Cost C would ensure reproduction of its capital in the long run too.

However, a policy of covering Cost C has some difficulties, tending to inflate the costs. For example, it is now well known that on particularly small farms, a family enterprise would use its own labour liberally to increase the productivity of its farm even beyond

the critical point where the return from additional units of labour begins to be lower than the market wage rate. If the family labour had an alternative opportunity of hiring out labour, it would have done so instead of working on one's own farm beyond the critical point. In practice, it is difficult to impute only the opportunity cost of family labour, and exclude unremunerative labour beyond the critical point. However, it is not an issue of narrow economics of a profit-making farm/firm. Irrespective of opportunity cost, all family labour needs to be maintained in good health and farming has to meet the cost of such maintenance.

It may be noted that the imputed interests on own fixed and working capital are included in costs since funds have an opportunity cost. Imputed rent on owned land is also included as a cost which, however, is questionable. When leasing is not common, it can even lead to arbitrary valuation. In fact leasing is not so common now as it was in the fifties and the difference between Cost A_1 and Cost A_2 is often not there, or marginal where it exists. It is important here to distinguish between *rent as an allowance for land improvement* in the nature of interest on capital involved in such improvement (which could as well be included as imputed interest on such capital), and *rent which is a surplus over costs* whether appropriated by landlords or not. The latter cannot be a part of the costs for price fixing; actually it is a reflection of profitability itself. Land rent in agriculture is not comparable with rent of land and buildings in industry, since the latter clearly are costs. What is necessary is to curb the exploitative appropriation of such surpluses in agriculture by landlords, instead of underwriting landlordism by including it as a cost. Such a practice could inflate the costs significantly.

Cost data available from the Farm Management Studies and the Comprehensive Scheme club together imputed rent and interest, making it difficult to know by how much the costs are inflated by imputed rent on owned land. Imputed rent and interest together form a significant proportion of Cost C. Thus, for example, as the cost data presented by the APC derived from the comprehensive scheme show that even where actual rent was not paid (making Cost $A_1 = \text{Cost } A_2$), imputed rent and interest as a proportion of total Cost C was as high as 39 per cent in paddy in Andhra Pradesh (1980-81), 46 per cent in wheat in Madhya Pradesh (1977-78), 43 per cent in cotton in Karnataka (1977-78), and 42 per cent in jowar

in Andhra Pradesh (1975-76). Even in other cases, though the difference between Cost A_1 and Cost A_2 was marginal, the imputed rent and interest formed a significant part of Cost C, ranging from 27 per cent upwards. From another study where the imputed rent was separated, it was found that the imputed rent of land constituted 29.6 per cent and the actual rent only 1.1 per cent of Cost C. The study pertained to four villages in Kerala covering mainly tapioca and paddy.¹³ This is in the case of a State where leasing is common and yet it was the imputed rent, not the actual, that raised cost estimates.

In the absence of a proper lease market, particularly in a State like Karnataka where leasing agricultural land is not allowed under law, imputation of rent can only be arbitrary. Thus, in its own studies of the cost of cultivation, the State Directorate of Agriculture imputes 10 per cent of gross income in irrigated crops, and 5 per cent of the same in dry crops as rental value to be included in costs.

Due to the pressure of the farmers' lobby on the APC to make the calculation of costs more liberal, a special Experts Committee under the chairmanship of Prof. S.R. Sen has gone into such demands. Some of its recommendations may be noted here.¹⁴ One of the limitations of the Farm Management Studies as noted above was that the imputed rent and interest were clubbed together. The committee, therefore, recommended a new scheme as follows:

- Costs A_1 and A_2 as above;
- $B_1 =$ Cost A_1 + interest on value of owned capital assets (excluding land);
- $B_2 =$ Cost B_1 + rental value of owned land (net of land revenue);
- $C_1 =$ Cost B_1 + imputed value to family labour;
- $C_2 =$ B_2 + imputed value of family labour.

This new scheme distinguishes "constituents that are price determining from those that are price determined."¹⁵ However, the Committee could not bring itself to firmly recommend the

13. K.N. Ninan, *Economics of Tapioca Crop in Kerala State*, Ph.D. thesis prepared at ISEC, submitted to the University of Mysore, 1983.

14. Government of India, Ministry of Agriculture, *Report of the Special Experts Committee on Cost of Production Estimates*, New Delhi, 1980.

15. *Ibid.*, p. 21.

exclusion of imputed rent on land from costs for the purpose of price fixation.

One of the demands of the farmers is that the cost of family labour has to be imputed on the basis of minimum wages fixed by the government. The Sen Committee did not, however, accept this and proposed that the imputation has to be on the basis of actual wage rates paid to attached labour, and not unimplemented wage rates. Where the actual wage rates paid amount to more than the minimum wages, farmers would stand to gain from this criterion. Moreover, wage rates paid to attached labour cover the minimum maintenance cost. Farmers have also demanded that managerial labour of the family also be included in costs. This is a reasonable demand and the Committee recommended that the actual time spent on managerial functions be covered. In practice this may be difficult to estimate. The State Directorate of Agriculture in Karnataka in its studies has assumed a flat rate of Rs. 400 per month as a fixed managerial cost, which would be high on per quintal basis on small farms.

Farmers have also demanded that an allowance for risks in agriculture be made in the costs. The Sen Committee, however, did not support this demand on the ground that risk is supposed to be covered by profit. This is not a valid reason because several risks are internalised as costs. For purpose of cost estimation, the State Directorate of Agriculture in Karnataka has allowed 10 per cent of total variable costs in the case of irrigated crops and 15 per cent of the same in the case of dry crops as a risk factor to be added to costs. But risk differs from region to region even in the case of a given crop, even allowing for differences in irrigation. When risk conditions for a crop are not uniform, the differential taxes and subsidies can meet the situation better than a uniform increase in prices to allow for the risk factor.

In interpreting Cost A, only the costs of inputs used to be included earlier and not the cost incurred on travelling necessary to purchase the inputs. A decision is reported to have been taken to include these costs too.

In any case, a very comprehensive cost concept is taken into account by the APC. While recommending prices, however, the APC does not follow a mechanical or rigid formula due to several practical difficulties. One of the difficulties has already been noted by us, namely, that the cost calculations are available only with a

time lag; while costs are *ex post facto*, procurement prices have to be announced in advance. Even if the procurement price is so fixed as to provide for a reasonable margin over Cost C as expected on the basis of information available, there could still be a disparity between the two once the cost figures are known. Such disparity need not at all be due to any deliberate policy. Since the past cost is no dependable guide, the Sen Committee recommended the use of extrapolated prices based on index numbers of the most comprehensive cost concept. Till they are constructed, index numbers based on Cost A₁ (cash and kind expenses) could be used, according to the Committee. Obviously, index numbers of costs and parity prices would have to be computed crop-wise. The use of extrapolated prices that keep parity with index numbers of prices which go into Cost A₁ is desirable for one more reason. To carry out production surveys every year is expensive, and moreover, if the reported absolute costs are to be under-written, the reporting by farmers would have an upward bias. Periodic cost surveys can be used only to derive weights of different items that go into costs.

Further, costs differ widely across States and across regions within a State depending on the production conditions and the agrarian structure. In 1980-81, for example, Cost C per quintal of paddy ranged from Rs.76 in Assam to Rs.105 in Andhra Pradesh among four States for which information was available. Even as between the two neighbouring States of Punjab and Haryana, the former produced wheat at a cost of Rs.102 per quintal and the latter at Rs.114 per quintal in 1978-79. Madhya Pradesh produced it at only Rs.87 per quintal in 1977-78. The differences within a State are by no means less significant. The complexity of the cost picture is revealed from Table 6.5, which presents zone-wise cost of production (C) and rates of return on principal crops in Karnataka in a single year, 1980-81. It shows that as between different zones and seasons, the cost of paddy ranged from Rs.57 to Rs.199 per quintal; from Rs.80 to Rs.157 per quintal in rabi jowar and from Rs.278 to Rs.679 in rainfed cotton. Only in the case of sugarcane the range was small, from Rs.15.6 to Rs.18.6 per quintal. It may be noted that though costs differ according to the production conditions and the agrarian structure, the price variation does not correspond to these differences. The price variation depends not only on quality differences but also on the conditions of market and infrastructure.

TABLE 6.5 Zone-wise cost of production (C) and rate of return on principal crops in Karnataka 1980-81

Zone*	C (Rs)	RV (%)	RT (%)	Zone	C (Rs)	RV (%)	RT (%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PADDY							
<i>Kharif HYV irrigated</i>				<i>Kharif HYV in assured rain</i>			
NED	67	163	54	ST	100	150	29
ND	97	74	13	CZ	122	75	11
CD	57	282	165	Overall	117	90	14
ED	112	106	17	<i>Rabi HYV irrigated</i>			
SD	69	183	76	CZ	126	60	3
ST	103	110	25	<i>Rabi local irrigated</i>			
Overall	76	174	59	CD	118	75	6
<i>Kharif local irrigated</i>				HZ	114	104	28
ND	63	233	78	CZ	199	6	-31
CD	60	233	79	Overall	165	31	-16
SD	90	133	41				
ST	118	79	10				
Overall	82	160	50				

(Contd.)

TABLE 6.5 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				<i>Summer HYV irrigated</i>			
	<i>Kharif local in assured rain</i>						
HZ	93	144	36	ND	127	52	2
CZ	148	51	-10	CD	69	260	99
Overall	107	109	20	SD	91	107	26
				ST	106	101	27
				CZ	160	43	-6
				Overall	85	158	54
				<i>JOWAR</i>			
ND	104	70	4	NET	102	137	33
CD	121	108	25	NED	88	215	63
SD	150	22	-38	ND	157	118	9
NT	145	59	1	NT	80	228	105
Overall	119	67	5	Overall	112	161	37
				<i>RAGI</i>			
				<i>Kharif HYV dry</i>			
	<i>Kharif HYV irrigated</i>						
ED	90	204	53	CD	87	150	67
				SD	168	35	-7
				ST	93	103	42
	<i>Kharif local irrigated</i>			ED	126	82	12
ED	106	203	31	Overall	94	117	49

<i>Kharif local dry</i>				<i>Rabi HYV irrigated</i>			
CD	120	66	9	ED	101	201	63
ED	311	-18	-43	SD	141	90	19
SD	151	57	2	Overall	132	109	27
ST	114	91	28				
Overall	159	41	-5				
GROUNDNUT							
<i>Kharif dry</i>				<i>Rabi irrigated</i>			
NET	322	61	12	NED	248	138	45
CD	370	10	-24	ST	275	55	-17
SD	263	91	22	SD	184	199	72
NT	283	106	37	Overall	237	129	40
ND	261	67	13				
ED	271	96	29				
ST	245	37	0				
HZ	215	131	50				
Overall	276	64	17				
COTTON							
<i>Dry</i>				<i>Irrigated local</i>			
NET	679	-13	-44	ND	305	176	36
NED	340	128	33				
NT	278	191	76	<i>Irrigated hybrid</i>			
ND	518	63	-9	ND	430	99	26
ST	564	5	-24				
Overall	411	84	12				

(Contd.)

TABLE 6.5 (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
WHEAT							
<i>Dry</i>				<i>Irrigated</i>			
NED	178	105	32	ND	143	218	48
NT	150	174	63				
Overall	164	132	45				
SUGARCANE							
<i>Planting</i>				<i>Ratoon</i>			
Belgaum	16.7	214	80	Belgaum	16.9	210	78
Raichur	18.6	90	18	Raichur	15.7	141	40
Mandya	17.2	97	28	Mandya	15.6	94	24
Shimoga	15.9	116	31	Overall	16.9	137	44
Overall	17.5	109	31				

C = Total cost C in Rs. per quintal;

RV = Rate of return on variable cost (%);

RT = Rate of return on total cost (%).

*Zones are demarcated at taluk levels, NET = North Eastern Transitional; NED = North Eastern Dry; ND = Northern Dry; CD = Central Dry; ED = Eastern Dry; SD = Southern Dry; ST = Southern Transitional; NT = North Transitional; HZ = Hilly Zone; CZ = Coastal Zone.

Source: Report on Region-wise Cost of Cultivation for 1980-81, Farm Management Division, Department of Agriculture, Government of Karnataka, May 1982.

Under such circumstances the approach of the APC as clarified by Kahlon, formerly its Chairman, has been that "price will not be allowed to fall below the level that covers the *cost of efficient production* and provides a reasonable margin of profits" (emphasis added).¹⁶ The word 'efficient' does not necessarily mean the least cost production but reasonably efficient. A certain amount of intuitive judgement is involved in determining what this level of efficiency should be. It is clear, however, that any policy of covering the cost of all or the bulk of the farmers would mean a significant price rise, particularly when it comes on top of adopting a liberal concept of cost that covers not only fixed costs but also parts of surplus above costs. Such a procurement price would be totally out of alignment with market forces and would force the government to accumulate stocks which cannot be sold without a huge subsidy.

Nevertheless, an important question in the fixation of procurement and support price is whether there should be a uniform price all over the country or whether each State can have its own price. The demand for setting up the Agricultural Prices Commissions at State levels to fix prices in each State separately, has been voiced by farmers, both because the States are more amenable to pressures from farmers' movement and also because cost conditions differ across the States. The State-level commissions meet the first need but not necessarily the second, since costs differ equally within a State. If diversity in costs is to be the criterion, there needs to be an APC for *each farmer*! The States have of course been departing at times from the procurement prices announced by the Centre, both openly and in the form of incentives like bonus and concessions in purchase taxes being passed on to farmers, apart from transport and cartage allowances—advantages which they cannot get when they sell in the free market. Nevertheless, the price fixed by the Centre serves as a standard with reference to which and in the light of local circumstances, the State can fix its price and other concessions and incentives. If the State-level commissions take the place of the national APC, there would be no such standard. Either the State would not be able to procure what they want in spite of compulsion (if their prices are

16. A.S. Kahlon, 'Agricultural Prices—Some Basic Concepts', *Economic Times*, 4 March 1981.

lower) or would have to purchase all that is offered by farmers and end up with unwarranted stocks. Moreover, movement restrictions across the States would have to be imposed rigidly to maintain cost-derived price differences.

The role of the APC even at the national level is very limited in so far as it cannot influence the prices of the inputs that go into agriculture; it can only take into account the prices of these inputs. By the time it adjusts the procurement prices to the input prices, the input prices themselves can well go up, and the spiralling process is beyond its control. Equally beyond its control is the task of making inefficient and costly farms viable by simply raising the prices. The price policy can at best try to underwrite the cost of reasonably efficient production. Not even a Centrally planned economy, let alone a market economy, can underwrite all costs. Even as an objective, it can only be one of dubious merits.

ARE COSTS COVERED?

We may see here whether and to what extent procurement and support prices cover the costs of production and whether on the whole farms cover their costs.

In a study of wheat and rice, Raj Krishna and Raychaudhuri compared procurement prices with Cost C. They found that though in the 1950s the wheat procurement prices did not cover this cost in wheat producing States in the late sixties, they not only covered it but also allowed a margin of profit of 9 to 92 per cent. In the case of rice, however, procurement prices remained below cost of production in major rice producing States of the South and also in West Bengal, both in the 1950s and in the 1960s, but the difference narrowed in the 1970s. In the northern and eastern States, however, the procurement price of rice was higher than the cost of production. However, "the market prices (both harvest and wholesale) cover the cost of production in most States and periods" they concluded with reference to both crops.¹⁷

There was for quite some time a discontent in West Bengal and

17. Raj Krishna and G.S. Raychaudhuri, *Some Aspects of Wheat and Rice Policy in India*, World Bank Staff Paper No. 381, April 1980, see especially pp. 6-16, 44-45.

the South that procurement prices of rice were depressed as compared with wheat. Rice growers, being mostly small farmers, were alleged to have been discriminated against. The Raj Krishna-Raychaudhuri Study also showed that paddy price tended to be lower relatively to wheat in terms of their respective costs of production. Over the years however, procurement prices of paddy have been increased more than for wheat. Between 1971-72 and 1983-84, they were increased from Rs.47 to Rs.132 in the case of paddy, i.e., by 172 per cent; but in the case of wheat, they were increased from Rs.76 to Rs.151 per quintal during the same period, i.e., by nearly 100 per cent. This has reduced the dichotomy between the procurement prices of the two crops. It may be noted, however, that the rate of return in paddy is not necessarily lower than that in wheat. That a wheat-consuming and wheat-producing State like Punjab emerged as a major rice grower in the seventies, is itself an evidence of this.

It should be noted that a comparison of costs per quintal with procurement prices presents difficulties of comparability. The cost figures give no idea of the quality, but procurement prices are fixed with reference to a certain quality. However, assuming that costs approximate to average qualities, the procurement prices of common varieties can be taken for comparison. In the case of jowar, the price of white jowar can be taken. But the more dependable way is to calculate the rates of return from the information presented by the Comprehensive Scheme, from the value of total product (main crop as well as minor products like straw) over the cost incurred.

The valuation of product is on the basis of post-harvest prices prevailing in the villages or the nearest market, adjusted for transport and market charges. Though this price is not presented in the data, it is implicit and can be derived. It would be useful not only to see whether the rate of return is reasonable and how it has changed in the case of procured crops but also to compare the implicit price (the market price relevant to farmers) with the procurement prices over time. This is done through Table 6.6. The rate of return is calculated over two types of cost concepts here— A₁ which is Cost A₁ plus the imputed value of family labour but excludes rental value of owned land and interest on own fixed capital, and Cost C which is all-inclusive. It may be recalled

TABLE 6.6 Trends in the economics of partially procured crops (costs and prices)

(Rupees per quintal)

Year	Yield per hectare— quintals	Cost A ₃	Cost C	Rate of Return (%) on Cost		Implicit price	Procure- ment price
				A ₃	C		
1	2	3	4	5	6	7	8
<i>Wheat: Punjab</i>							
1970-71	24.4	35.1	61.0	94	20	74.5	76.0
1971-72	26.4	37.9	59.7	103	25	76.7	76.0
1972-73	22.6	42.5	67.1	69	12	76.0	76.0
1973-74	24.9	48.0	74.3	107	40	107.4	105.0
1974-75	27.0	51.0	87.8	104	28	115.6	105.0
1975-76	23.1	61.6	99.4	56	4	103.8	105.0
1976-77	22.7	67.5	101.4	54	8	111.5	110.0
1977-78	22.6	73.2	108.6	48	5	114.4	122.5
1978-79	27.5	66.0	101.5	64	12	114.5	115.0
1979-80	27.9	67.9	102.8	62	12	116.4	117.0
<i>Jowar: Karnataka</i>							
1971-72	6.2	17.6	45.1	199	70	90.0	55
1972-73	5.4	22.0	56.6	139	51	104.4	55
1973-74	5.6	25.9	64.5	203	78	137.6	70
1974-75	5.5	38.4	80.0	184	79	168.0	74
1975-76	6.4	48.1	80.6	103	37	116.8	74

(Contd.)

Table 6.6. (Contd.)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>Jowar: Maharashtra</i>							
1971-72	5.7	18.0	57.0	153	33	84.0	55
1972-73	3.8	33.9	64.8	90	34	100.5	55
1973-74	5.8	39.6	74.5	100	6	118.0	70
1974-75	6.5	45.5	85.5	122	49	144.7	74
1975-76	6.5	42.6	78.8	88	31	115.1	74
1977-78	7.6	35.7	65.2	94	36	101.4	74
1978-79	7.1	43.3	71.7	80	28	100.9	85
<i>Paddy: Tamil Nadu</i>							
1971-72	26.2	33.3*	53.5	64	11	60	47
1972-73	24.8	41.1*	62.0	35	-6	58	49
1973-74	23.8	36.5*	62.3	93*	25	81	70
1974-75	24.4	66.4*	91.4	108	57	150	74
1975-76	28.9	49.1*	67.5	95*	51	108	74
1976-77	21.2	64.1	90.8	51	14	106	74
		59.4*		60*			
1977-78	32.2	51.1	81.6	68	15	96	77
		48.3*		75*			
1978-79	32.6	50.2*	81.7	75*	17	99	85
1979-80	33.9	56.7*	92.2	79	19	112	95

TABLE 6.6 (Contd.)

Paddy: Andhra Pradesh

1971-72	25.2	28.6	51.5	95*	18	62	47
1972-73	20.5	30.5*	58.0	106*	20	71	49
1973-74	24.5	29.1*	60.3	139*	33	83	70
1974-75	25.7	39.1*	77.1	122*	26	99	74
1975-76	23.4	44.7*	79.0	60*	1	80	74
1976-77	25.1	57.1	86.0	32	-6	80	74
		52.7*		41*			
1977-78	26.5	58.0	87.1	36	-2	84	77
		54.5*		43*			
1978-79	30.7	57.6	88.4	34	3	81	85
		52.5*		45*			
1979-80	30.4	62.0	93.1	56	4	97	95
		54.5*		66*			
1980-81	33.8	63.7	104.9	66	6	112	105
		60.8*		73*			

*Cost A₂ (in column 3) and corresponding rate of return % (in column 5).

Notes: Rate of Return = $100 \times (\text{value of total produce including minor produce per hectare} - \text{respective cost per hectare}) \div \text{respective cost per hectare}$.

Implicit price = value of main product per quintal of yield.

Cost A₃ = Cost A₂ + imputed value of family labour.

Source: Based on APC reports and *Indian Agriculture in Brief*, 19th Ed., December 1982.

that elements of surplus like rent are also included in Cost C.¹⁸

Taking the cost of wheat we find that though the procurement price is generally slightly lower than the implicit farm harvest price, it has not only kept pace with the latter but has more than covered the total Cost C. The rate of return on this cost has, however, fluctuated from 3.9 to 40.4 per cent, being higher in the first half of the seventies than in the latter. The rates of return and costs have generally varied inversely with yield levels. The major factor behind the lower rates of return between 1975-76 and 1977-78 was the stagnation in yields. They picked up since 1978-79, and the rate of return also improved. Between 1970-71 and 1980-81, the cost per quintal increased by 105 per cent, but procurement prices increased only by 71 per cent. Yields per hectare increased at an even slower pace, increasing by a meagre 12 per cent during the whole period. It is not surprising that the costs increased significantly. This high cost economics would continue to characterise wheat, unless the so-called second Green Revolution picks up and not only increases the yield but also decreases the costs. As between the two costs, A_3 and C, the former increased by 93.4 per cent and the latter by 68.5 per cent as between 1970-71 and 1979-80. Obviously, the paid out costs accounted more for the increase than the imputed rent and interest. It may also be noted, however, that even where the rate of return on Cost C is marginal, the same on Cost A_3 was fairly high, since a significant part of Cost C was in the form of surplus elements of imputed rent and interest. This is so in the case of other crops as well.

Unlike the procurement price of wheat, the procurement prices of the common varieties of paddy have not covered Cost C in quite a few years—5 out of 9 in Tamil Nadu and 7 out of 10 in Andhra Pradesh, though they have covered Cost A_3 with a comfortable margin (see Table 6.6). The procurement prices have also been significantly lower than the implicit market prices, particularly so in Tamil Nadu. While such a difference was marginal in the case of wheat, it has been quite noticeable in rice. This would have added to the difficulties of procuring rice, particularly in the southern States,

18. Where Cost A_3 was not available to the author as in the case of paddy, Cost A_2 was taken instead. For a few years both costs A_2 and A_3 are shown so that the difference between the two is known and the trend is discerned over the years on a comparable basis.

where it is also a staple cereal where it is grown. It is not possible to guess from the statistics available if paddy produced consisted mostly of better qualities, which could make a comparison of costs and implicit prices with procurement price difficult. The rates of return on rice have been positive even on Cost C except for one year in Tamil Nadu and 2 years in Andhra Pradesh, and reasonably good on Cost A₂ or Cost A₃. The rates of return compare favourably with wheat, particularly over Cost A₁. However, the rates of return appear more unstable in paddy due to greater instability in implicit prices. Between 1971-72 and 1979-80, Cost A₂ and Cost C increased by 70 per cent and 72 per cent respectively in Tamil Nadu, and by 91 per cent and 88 per cent in Andhra Pradesh, as compared with 102 per cent increase in procurement prices. Implicit prices, however, increased less than procurement prices in both the States, particularly in Andhra Pradesh, accounting for a lower rate of return at the end of the decade.

Coming to jowar, the procurement prices could not cover Cost C in Maharashtra from 1971-72 to 1975-76, and in Karnataka in only one year, viz., 1972-73. They have, however, covered Cost A₃ with a reasonably good margin. The rates of return have been positive and fairly significant in all the years in terms of both the cost concepts, though the procurement prices have been much below implicit prices, the difference being more than in wheat. No discernible trend emerged in the rates of return over Cost C in jowar during the period studied, though both costs have increased.

Sugarcane also is subject to levy (of the final product). From the cost data presented in the APC Reports, the realised prices appear to give a substantial rate of return to farmers even on the basis of Cost C, though it seems to have declined a little. As between 1973-74 and 1977-78, the rate of return on Cost C declined from 85.5 per cent to 47.4 per cent in Maharashtra, and from 47.8 per cent to 44.7 per cent in Uttar Pradesh. In Tamil Nadu the rates of return from sugarcane cultivation were 48.1 per cent in 1973-74 and 43.3 per cent in 1974-75 over Cost C. The figures for Karnataka were not available from the same source. According to the study by the State Directorate of Agriculture, however, the overall rate of return over Cost C on planted sugarcane was 31 per cent and on ratoon sugarcane 44 per cent in 1980-81 (Table 6.5).

The concept as employed by the State Directorate of Agriculture, Karnataka, is more liberal as it allows for a risk factor in the form of an

addition to total cost amounting to 5 and 10 per cent of total variable costs in irrigated and dry crops, respectively. The rates of return even over this cost concept have been fairly reasonable, though they have also been negative in a few cases as seen from zone-wise figures in Karnataka (Table 6.5). This means that apart from recovering variable costs, the returns on which were fairly significant, farmers have also recovered fixed costs that allow for reproduction of capital and rent on land and realise a reasonable margin of profit. No doubt, Cost A_3 has increased over the years significantly as in the case of wheat, but the real rate of return (over Cost A_3) is still high enough.

The procurement prices have not always covered Cost C, though they have done so in the case of A_3 . We have a mixed picture in respect of Cost C *vis-a-vis* procurement prices. The problem is mainly in paddy. Paradoxically, it is in this crop that procurement prices have increased more than costs, though not so in the case of wheat and jowar. Comparing procurement prices with costs in Karnataka (Table 6.5), we find that on the whole procurement prices of common paddy for 1980-81 (*viz.*, Rs.115 per quintal) covered the costs in different conditions, though the costs in the coastal zones were not covered. The procurement price of white jowar grown in Rabi seasons (*viz.* Rs.105 per quintal) covered the costs in three out of four zones. The other procurement/support prices, however, hardly covered the costs. It may be noted that in the case of sugarcane, whereas the statutory minimum prices relate to a recovery level of 8.5 per cent, the costs relate to sugarcane of average recovery which is higher. Considering that the rate of return in sugarcane costs was not only positive but also high, it is obvious that actual prices more than covered the costs.

The basic problem for most of the farmers is not one of low rate of return as a percentage over costs or low procurement prices but one of holdings of a viable size, large enough to provide a comfortable standard of living to the farm family. This problem cannot be solved merely through an increase in procurement prices. Taking the difference between the implicit prices and Cost A_3 per quintal and multiplying it by the yield per hectare, we can have an idea of the real surplus generated per hectare at given levels of yields and costs. It amounted to only Rs.1,353 in wheat in Punjab in 1979-80 to Rs.1,636 in paddy in Andhra Pradesh in 1980-81, Rs.1,449 in paddy in 1977-78 in Tamil Nadu, Rs.409 in jowar in Maharashtra

in 1978-79, and Rs.440 in jowar in Karnataka in 1975-76 (as derived from Table 6.6). Boldly assuming that they can raise another crop in a year which provides a similar surplus per hectare, the size of holdings (in hectares) that is needed to provide at least Rs.12,000 per year to a farm family would be 4.4 in Punjab, 3.7 in Andhra Pradesh (paddy lands), 4.1 in Tamil Nadu (paddy lands), 14.7 in Andhra Pradesh (jowar lands) and 13.6 in Karnataka (jowar lands). Unfortunately, the bulk of the farmers do not have the privilege of operating such holdings. Even if land is redistributed equitably, it would not be enough to provide such holdings.¹⁹

WORLD PRICES

A comparison with world prices is often made to ascertain whether domestic agricultural prices are depressed. It is argued that prices should reflect scarcity to aid allocation of resources so as to achieve growth and welfare, and that world prices, being most free from distortion, are the best among the available indicators of equilibrium prices that match demand and supply. It is also argued that developing countries distort prices in their bid to industrialise themselves, by giving protection to industrial goods and taxing agriculture, i.e., raising the prices of the former and lowering those of the latter, as compared with rational (world) prices. These distortions, it is contended, produce adverse effects on growth and welfare not only in agriculture but in the whole economy, without necessarily promoting equity.²⁰

Unfortunately, a comparison with world prices is beset with many problems. Though it is sometimes conceded that world markets are not perfectly competitive, it is nevertheless argued that border prices or unit values of imports (world prices + transport and other expenses involved in importing) represent opportunity costs and therefore indicate rational prices.²¹ Though border

19. See V.M. Dandekar and N. Rath, *Poverty in India*, Pune, Indian School of Political Economy, 1971, pp. 80-86.

20. See, for example, Ramgopal Agarwala, *Price Distortions and Growth in Developing Countries*, World Bank Staff Working Paper No. 575, 1983; Malcolm Bale and Ernst Lute, *Price Distortions in Agriculture and their Effects: An International Comparison*, World Bank Staff Working Paper No. 359, 1979.

21. Sukhatme has compared wholesale prices of rice and wheat in Indian markets

prices may at best indicate, from a static standpoint (ignoring the question of achieving self-reliance in strategic goods), whether it is worthwhile producing more at home or importing a particular good, they may be misleading as a basis for actual price determination in domestic markets. The border prices inclusive of payments for transport and such other services are not the prices received by farmers abroad, nor even the wholesale prices in world markets, and can hardly be used to ascertain if domestic producers are paid less than their foreign counterparts. If border prices are to be the basis for domestic price fixation, it may or may not stimulate more agricultural production, but they would be prices at which the country would find it difficult to sell its production either at home or abroad.²²

Even if world prices are taken without including the extra cost of importing a commodity into the country, other problems arise. World prices are much more unstable than domestic prices and adjusting the latter to the former constantly would be neither rational nor feasible. Moreover, world prices have to be converted into domestic currency which means that these converted prices would be subject to additional fluctuations in exchange rates independently of any policy of depressing or protecting agricultural prices. To escape this difficulty, agricultural prices are expressed at times in terms of fertilisers, which means singling out one input and giving it a weight much beyond what is due to it.

The per capita income of the country or the average agricultural wage rates would be even more pertinent than fertilisers, in terms of which agricultural prices could be expressed for international comparison. After all human labour is as important—actually more so—as fertilisers as an input in agriculture. In terms of wage rates and per capita income, foodgrains in developing countries would

with unit values of imports of these commodities. Cf. Vasant Sukhatme, 'Farm Prices in India and Abroad: Implications for Production', *Economic Development and Cultural Change*, Vol. 32(i), October 1983, pp. 169-81.

22. The difference between prices in an international market and import prices at port inclusive of shipping and transport cost is not negligible. If the data quoted by Kahlon and George are any guide, the import price of wheat to India was higher than the Chicago market price by 32 per cent, taking the three years' average for 1978 to 1980. See A.S. Kahlon and M.V. George, 'Price Policy and Agricultural Exports' *ASI*, August 1982, Table 2, p. 276.

turn out to be much more highly priced than in any developed country. For example, even at procurement prices which are lower than market prices, an average Indian with his per capita annual income could buy only 13 quintals of wheat in 1980; but an average American could buy 1,091 quintals of wheat (at wholesale rate) in the same year with his per capita income. In terms of income and wage levels, agricultural prices in India could be considered as one of the highest in the world.

These limitations make world prices meaningless as a basis for price determination and assessing distortions. However, the world prices are meaningful mainly in terms of the trade opportunities that they indicate. If agricultural prices in India are lower in absolute terms converted at exchange rates, it would suggest an advantage in exporting, though it does not also mean that we have to export such commodities before meeting our domestic needs. It is worth maintaining our price advantage in world market in foodgrains through higher productivity and lower costs. Developed countries with a control on food supply in the world market can have a tremendous political leverage, and their monopoly needs to be broken by the Third World countries. Any policy to artificially raise the domestic agricultural prices to world levels would be suicidal not only in the home market but also in the world markets. It would not only hit poor consumers at home and raise the prices of industrial commodities, but would make India lose whatever advantage it has in world markets in respect of both agricultural goods and industrial goods.

It is useful to make a distinction between foodgrains and agricultural raw materials such as cotton, groundnut and jute while making comparisons with world prices. They portray different situations reflecting the interests of dominant countries in the world market. Several advanced countries are exporters of foodgrains and they manage to keep world prices of these commodities high. On the other hand they are importers of raw materials from developing countries and therefore manage to keep their prices low in world markets.

Taking first the case of foodgrains, domestic prices of rice and wheat were higher than world prices in the sixties and early seventies. Kahlon and George have pointed out that Indian prices of wheat particularly were twice as high as those in world markets in

the late sixties but came almost at par by the end of the seventies.²³ They attribute this to the increases in productivity brought about by the new technology. The data quoted by them show that the break came in 1973, before which year the domestic prices of rice and wheat were higher. After 1973 world prices shot up sharply due to the hike in petroleum prices. Due perhaps to the lower weight of petroleum products in Indian agriculture, Indian prices did not show a proportionately high increase in the immediate post-1973 period. However, Indian prices were steadily increasing and the gap started declining. In the case of wheat particularly, even the procurement prices in 1979 and 1980 (*viz.* Rs.117 and Rs.130 respectively) were close to world prices (*viz.* Rs. 120 and Rs.132 respectively in the same year in Chicago market). Since the market prices were above procurement prices in India, they were obviously higher than the world prices. In the case of rice, however, the average wholesale price in Bangkok during the period 1978 to 1980 was Rs.220, while the average Indian procurement price of common varieties during the same period was Rs.130.²⁴ The wholesale price of rice which ought to be the basis for comparison rather than procurement price, however, compared well with the Bangkok price. The overall trend in respect of foodgrains has thus been that Indian prices which were considerably higher than world prices due to supply shortages in relation to demand in the sixties, later came close to world levels and the disparity was bridged. This was due to an inordinately higher increase in world prices.

The price situation in raw materials has been a little different, however. The data quoted by Kahlon and George show that jute prices increased in the world market by only 35 per cent and in Indian market by 87 per cent between 1960 and 1980; in the case of cotton by 174 per cent in the world market and 235 per cent in India; and in the case of copra by 194 per cent in the world market and by 512 per cent in India during the same period.²⁵ A World

23. *Ibid.*, p. 273. John Wall too has reached a similar conclusion. According to him, except during unusual periods like 1973-75, Indian market prices have tended to remain above world prices. See John Wall, 'Foodgrain Management: Pricing, Procurement, Distribution, Import and Storage Policy' in Ahluwalia *et al.*, *India: Occasional Papers*, World Bank Staff Paper No. 279, 1978, especially p. 64.

24. As seen from the data quoted by Kahlon and George, *op. cit.*, p. 276.

25. *Ibid.*, p. 276.

Bank study also showed that during the same period, groundnut prices increased in the Rotterdam market by 150 per cent and in the Bombay market by 213 per cent; and the prices of groundnut oil cake increased by 124 per cent in Rotterdam and by 183 per cent in Bombay.²⁶ The trend in the case of agricultural raw materials has been that India has been steadily losing its price advantage due to higher increase in domestic prices and relatively depressed world prices.

India has a fairly good advantage in sugar in the world markets, mainly because of demand pressures there. The relative position has not however been altogether stable. As pointed out by Harrison, domestic prices of sugar and also levy prices were higher than the unit value of India's sugar exports before 1973-74. The world prices shot up in 1974 and 1975 above the domestic prices, but again fell below the same during the period 1976 to 1979. The world prices improved again since 1980. Indian cane yields and sugar production costs are fairly competitive.²⁷ This advantage should not be lost through an artificially high increase in cane and sugar prices. Sugarcane is yet to come under yield-increasing technologies, and there seems to be scope for improving the efficiency of a large number of sugar mills so that farmers' as well as mills' profits can increase without having to increase prices.

Table 6.7 presents a few illustrative cases which confirm the picture given above. They show that prices of foodgrains ruled higher in India than in the world markets both in the early seventies and in the eighties, but the difference narrowed in the eighties. In the case of raw materials, the Indian prices were understandably below world levels, but here again the difference narrowed, and in jute the difference was almost negligible.

It should, therefore, be appreciated that world prices cannot serve as a basis for domestic price determination, or for measuring the so-called price distortion, particularly when world prices are subject to greater instability and domestic prices are high in relation to domestic wages and income levels. Considered as indicative of trade opportunities, it is seen that while domestic foodgrains prices

26. John Wall, 'The Vegetable Oil Economy', in James Harrison, Jon Hitchings, and John Wall, *India: Demand and Supply Prospects for Agriculture*, World Bank Staff Working Paper No. 500, October 1981, pp. 103-4.

27. James Harrison, 'The Sugar Economy', in Harrison, Hitchings, and Wall, *op. cit.*, p. 123.

TABLE 6.7: Prices of agricultural commodities in Indian and world markets: A few illustrative cases

(Prices—Rs per quintal, rounded off)

Commodity	During	India		World	
		Market	Price	Market	Price
Wheat	March 1983	Moga	165	Chicago	132
				Winnipeg	115
Wheat	March 1972	Moga	102	Chicago	42
				Winnipeg	45
Maize	March 1983	Bahraich	215	Chicago	119
Maize	March 1972	Bahraich	72	Chicago	36
Jute	March 1983	Calcutta	315	London	322
Jute	March 1972	Calcutta	242	London	294
Cotton (lint)	March 1982	Bombay	1,111	New York	1,449
Cotton (lint)	March 1972	Bombay	465	New York	658

Note: Prices are converted at current foreign exchange rates. Prices in foreign countries refer to those applicable to the countries concerned. They are exclusive of freight and other incidental charges and are not landed prices in India.

Source: *Agricultural Situation in India*, Vols. 27(1), 37(7 & 9), 38(1) of years 1972, 1982 and 1983, respectively.

which were higher earlier are now at par with world prices. It is disturbing that our price advantage in world markets in agricultural raw materials is being steadily eroded; there is need to produce them at a lower cost by increasing productivity. Far from raising domestic prices to world levels, the need is to have a price advantage in the world market both in agricultural and manufacturing goods. In any case there is no evidence to show that Indian agricultural prices are at great variance with world prices. On the other hand, the earlier variance has decreased over the years.

PROCUREMENT AND PUBLIC DISTRIBUTION

We have already noted the discontent among farmers, particularly paddy growers, over the procurement prices being lower than market prices. They are often lower than not only annually averaged wholesale prices, but farm harvest prices as well. Though they are the prices at which the government agencies procure foodgrains for public distribution, they have acquired the character of being support prices. A distinction was made earlier between the two, the later being lower. But when market prices tended to fall below procurement prices, the government had to purchase foodgrains at these prices beyond what was necessary to fulfil the procurement quotas. As such, no separate support prices were announced in the case of those crops for which procurement prices were announced, and the latter were announced to coincide with sowing operations so as to assist farmers in their choice of crops, and assure them about the floor price they can expect. As such, it is inherent in the nature of a support price that it is lower than a market price in an inflationary process. By providing an assured outlet for output at assured prices, the procurement system has actually helped farmers. It would be reasonable to assert that in the absence of this system, market prices would have been more unstable, particularly when there are bumper harvests.

The discontent, of course, is about the compulsion that the farmers or mills, as the case may be, should deliver their quota at procurement prices, even when market prices are higher. Price support operations are welcome to them, compulsion is not. It should be noted, however, that the procurement of foodgrains as a proportion of production has never been high. It increased from 6.3 per cent in 1965-66 to only 13.8 per cent in 1983. The proportion

has been highest in the case of wheat, but even in 1982-83 it was only about 20 per cent. Rice came next with 15 per cent of its output procured in the same year.²⁸

It has long since been noted by more than one scholar that the co-existence of the procurement system with the free market has exerted an upward pressure on the free prices.²⁹ In theory, as Dantwala said, the weighted average price of levy and non-levy sales is likely to be higher and certainly not less than the price the farmer would have received in the absence of levy.^{30/31} This can happen because "when part of the demand is satisfied at less than equilibrium prices, demand in the free market itself increases. This increases the free market prices to a higher level than equilibrium prices which would have prevailed in the absence of fair price system."³²

In practice, however, there are many a slip between the market price and the realised price. We have noted earlier that in the case of paddy, a mill point levy is followed presumably to free the farmers

28. Of the total procurement of 15.5 million tonnes in 1982-83, rice contributed 7.0 million tonnes and wheat 8.3 million tonnes, other grains like jowar contributing only 0.2 million tonnes. This is so in spite of the fact that rice output (46.5 million tonnes) exceeded wheat output (42.5 million tonnes), and coarse grain output amounted to 27.8 million tonnes. Coarse grains are still mainly subsistence crops, with low potential for procurement. The share of Punjab alone in the procurement of foodgrains amounted to 63 per cent in 1980 and 51 per cent in 1981, though its share in total cereal production was only 10 per cent in 1980-81. We may recall that while procurement prices are close to market prices of wheat, particularly in Punjab, they have been generally lower than market prices in the case of paddy and jowar in the southern States.

29. See M.L. Dantwala, 'Incentives and Disincentives in Indian Agriculture', *IJAE*, Vol. 22(2), April-June, 1967, pp. 1-25; M.V. Nadkarni, 'Agricultural Prices and Development with Stability', Ph.D. thesis, Karnatak University, 1968, published in 1973 by National Publishing House, p. 66; N. Krishnaji, 'Wheat Price Movements: An Analysis', *EPW*, Review of Agriculture, June 1973; Ashok Mitra, *Terms of Trade and Class Relations*, 1977; L.S. Venkataramanan, 'Foodgrains Growth and Price Policy', in C.H. Shah (ed.) *Agricultural Development in India: Policy and Problems*, Orient Longman, 1979, pp. 223-26; K. Subbarao, 'Producer Levy Evasion and Income Loss', *EPW*, Review of Agriculture, March 1979, pp. 3-7.

30. M.L. Dantwala, 'Agricultural Policy in India Since Independence' *IJAE*, Vol. 31(4), October-December 1976, p. 37.

31. Venkataramanan has presented an algebraic formulation to show under what conditions this would hold. L.S. Venkataraman, *op. cit.*

32. M.V. Nadkarni, *op. cit.*, p. 66.

from the quotas, but mainly to make procurement easier and less costly. However, since paddy has to be hulled at mills and sales take place through mills, farmers may not get the right price. Even small farmers who would not have to pay a levy if it is on growers, do not necessarily get the market price. In the case of sugar also, mills are supposed to pass on the benefit of free sale of output to growers. Actually, mills sell more than 35 per cent of the output in the free market, i.e., beyond the statutorily fixed proportion, by under-reporting the output. The benefits of this are pocketed by sugar mills and the politicians controlling them. Also, farmers do not share the higher profits made through by-products of the sugar industry like alcohol.

The real problem is that the system of procurement operating through private mills does not enable farmers to have access to free market prices, even on that part of the output for which they would have enjoyed such prices had the levy been on the growers. If the mills are taken over by farmers themselves for cooperative management, this irritant can be removed. Though there are already cooperative sugar factories in several States (but cooperative rice mills are rare), their membership is open to traders who, together with large farmers, can well exploit farmers on the excuse of a lower levy price.

In the case of a direct producer levy on paddy growers, Subbarao's study of experience in Andhra Pradesh showed that "even if the levies are realised in full according to statutory slabs (i.e., ignoring evasion), farmers would still not suffer any income loss on their total marketable surplus. Besides, the producers levy may have some favourable income redistribution effect in so far as small farmers are free to sell their entire marketable surplus at higher free market price."³³

However, an attempt was made to influence the market prices by imposing restrictions on the movement of foodgrains. This is because procurement is more difficult when the difference between procurement and market prices is high. These restrictions are often imposed within a State between districts or zones, as was done in Karnataka, in order to depress the prices in surplus regions and raise them in deficit regions, thus making procurement easier in the former but difficult in the latter (there are surplus farmers in deficit

33. K. Subbarao, *op. cit.*, pp. A.5 & 7.

regions too). It is doubtful if the increased prices in deficit regions would stimulate more production there, but the depressed prices in surplus regions could well mean a disincentive. If the deficit regions are also low income areas, consumers there would be hard hit needlessly. The burden of meeting the entire deficit would be on the procurement authorities (since they have to compensate for lack of normal movement), in which they may not necessarily succeed. As Khusro said, "if the government purchases grain in surplus areas and transfers to the deficit regions exactly the amount which private trade would have done, its activity is unnecessary or redundant. If it transfers less or more, it is to be blamed squarely. In actual fact (such) attempts have led to the boycott of established markets and to increase in farm consumption. Governments have thus processed and transferred much less than the market would have done."³⁴

In any case, there is some element of a tax on farmers in the procurement system, since the weighted average of levy and post-levy prices is likely to be less than the price which would have prevailed in the absence of levy and movement restrictions. However, this tax need not be equal to the full difference between the procurement price and the post-levy market price (multiplied by the quantity procured), but less. Apart from the practical problems of mills not passing on the benefit of higher post-levy prices to farmers, there are other factors that account for the weighted average being lower than the free price without levy. The income of consumers saved by 'informal rationing' need not necessarily be spent on the same foodgrains in the open market, but on superior varieties or even on non-food items. The producers subjected to the levy may not then gain from this income effect, but others will. Moreover, even if the open market prices are higher than what they would be in the absence of a levy, as they usually are. It means a disguised tax on consumers too, who do not have the privilege of access to public distribution. These consumers need not be from the better off sections, since public distribution is often concentrated in metropolitan areas —the vast hinterland having to purchase in the open market.

A disadvantage of this disguised tax is that its magnitude cannot

34. A.M. Khusro, 'Economic Theory and Indian Agricultural Policy' in his (ed.) *Readings in Agricultural Development*, Allied, 1968, p. 20.

be easily ascertained. Its existence has vitiated the evolution of a proper, progressive tax structure for agriculture. It is also a discriminatory tax; it taxes those who produce the most needed commodities, while those raising commercial crops escape the same. If only certain low grade varieties of foodgrains are procured to keep down the cost of the public distribution system, the anomaly of this tax would be seen all the more. "To meet this (difficulty), if a tax is levied on other farmers too such as to make agricultural taxation more equitable, compulsory levy should be thought of as a part of an integrated, rational and progressive tax structure for the whole agricultural—or even the national—economy."³⁵ Such a compulsory levy should not only have a progressive rate structure but also be nondiscriminatory as between crops and regions. This would necessitate taxes on other crops as well to make the incidence equitable. A tax in kind of this type would make the whole tax system very complicated, if it has to be equitable at the same time.

The more desirable and also easier alternative would be to procure whatever is needed through open market purchases. This will avoid giving the farmers a feeling of being deprived of the higher market prices, break resistance to procurement, and make it possible to evolve a progressive and equitable tax system for agriculture, the proceeds of which can meet at least part of the resources needed for procurement.

There are, of course, problems in procuring massive quantities at prevailing prices under a market system dominated by private traders. As Dantwala observed long back, market prices themselves could be pushed up when government enters the market to purchase at these prices. (Dantwala, 1967, *op. cit.*, p. 7). However, we also know that even compulsory procurement has succeeded better where market prices were close to procurement prices and targets have not been fulfilled where market prices ruled higher. Secondly, the entry of the government need not push up market prices if it exercises pre-emptive powers of purchase when auctions are settled in regulated markets. Such pre-emptive purchases have not been new in India. However, we would need more than a mere regulation of markets, if our objective is not only to achieve procurement targets but also a planned operation of the marketing

35. Cf. M.V. Nadkarni, *op. cit.*, p. 165.

system such that speculative and manipulative power of private traders is curbed. We need the presence of a state-cum-co-operative trading sector as a dominant part of the market system with a wide network of information system and collection agencies, to provide an effective countervailing power to tame private trading. No doubt, we do not have such a power now, and till then a compulsory levy would continue to be depended upon for conducting procurement operations, however imperfectly. But the point is that since this seemingly easy choice is available within the present system, no effort has been made to reform the system itself to rid it of the dominance of manipulative private trading. This is so inspite of the fact that this 'easy choice' has caused tremendous discontent and inequity among farmers.

State trading need not necessarily be costlier than private trading. It can enjoy a scale economy which no private trader has, and can effectively economise on costs.³⁶ Moreover, monopoly procurement is not suggested here, since involvement by the state on such a scale is not necessary. The principle should be one of only developing a countervailing power to tame private trade. It is also not necessary to recruit entirely new personnel to operate government trade. Traders under strict watch can be involved on a commission basis to undertake purchase operations for the state trading agency at the time and price indicated by the latter.

The open market purchases by the state trading agency would be subject to a minimum support price that broadly covers extrapolated Cost C₁ in the new system suggested by the S.R. Sen Expert Committee (which excludes imputed rent on land, but includes imputed interest on fixed capital and also imputed cost of family labour). The state trading agency also would have to provide for buffer stocks to even out fluctuations in output around trend, so that normal availability of foodgrains even in climatically bad years is assured.

The procured quantities have to be sold on a normal commercial

36. According to Alagh, though the money cost of state trading may be higher, the real cost is not. Emoluments to employees in private trade are low and their storage costs are not made explicit, as in state trading. He has also indicated the considerable scope for economy in state trading, through proper planning and management and more exact forecasting. Yoginder K. Alagh, 'Institution for Price Policy and Supply Management of Food in India', *ASI*, November 1983, p. 555.

basis through retail outlets of the state trading agency without subsidy, in competition with private retail trade. There is no need to subsidise foodgrains consumption for the relatively better off. Though it is supposed to be for low income groups, all income groups are covered under the scheme in the areas where public distribution is in operation, enjoying nevertheless a huge subsidy. This subsidy—not necessarily for the poor—has increased within a decade from Rs.18 crores in 1970-71 to Rs.650 crores in 1980-81, and further to Rs.850 crores in 1984-85 (budget).³⁷ To provide food security to the rural and urban poor, a job security is more important than a fair price shop. A food-for-work scheme meets their needs more effectively, and probably at less cost than the highly subsidised urban-oriented public distribution. It is at least cost-effective in terms of averting hunger among the really poor.

It would be pertinent to quote the suggestions made by V.M. Rao and M. Vivekananda in this respect:

- First, it would be reasonable to assume that an effective system would need as its base regular procurement at a level of about 15 per cent to 20 per cent of domestic production of foodgrains. Second, the system should acquire strong and extensive capabilities to reach food to people in villages and smaller towns; it is most important that it begins to learn to function as a regular pipeline rather than only as a firebrigade. Third, putting food within the reach of the poor requires that public distribution be integrated with programmes seeking to provide the poor with employment and purchasing power. . . . As important as the system of procurement and distribution, and meriting equal priority, are the programmes seeking to provide nutritional supplement to specially vulnerable groups among the poor. These include programmes for feeding school children, health programmes for pregnant and nursing women and pre-school children, (and) attempts to popularise nutritional recipes based on inexpensive local foods. . . .³⁸

37. Cf. 'Fertiliser overtakes food (in subsidy)', *Economic Times*, 5 March 1984. All of this, however, is not on public distribution. About a quarter of the subsidy is believed to be on the maintenance of buffer stocks.

38. V.M. Rao and M. Vivekananda, 'Food Problem and Policy Priorities', in C.H. Shah (ed.), *op. cit.*, pp. 191-92.

The present subsidy on public distribution can be diverted to nutritional programmes for the poor, particularly for the pregnant and nursing mothers, pre-school and school children. They would also have the effect of drawing children to schools and imparting lessons in nutrition, sanitation and family welfare. It would give an opportunity to develop food as an instrument of social development.

MARKET INSTABILITY

The question of the normal level of agricultural prices has received more attention of farmers' lobbies than the instability therein. Though terms of trade deteriorated in the seventies, this could as well be considered as a corrective to a sharp increase in them in the sixties. In terms of cost of production, these market prices are such as to provide a reasonable rate of return over costs. The procurement prices have also covered the costs by and large, Cost A_3 or Cost C_1 certainly, if not always the all-inclusive Cost C_2 . We have also seen that a comparison with world prices is misleading and to determine farm prices on that basis would be an invitation to disaster. The more basic problem of prices, therefore, appears to relate more to instability—particularly the risk of a crash—rather than the normal level of prices.

This problem has long since been recognised, and there have been support prices to prevent a crash since the mid-sixties. According to Alagh, who was Chairman of the APC, the price support mechanism covers around 70 per cent of the country's gross agricultural output now.³⁹ However, support prices cannot stop fluctuations above the floor, even assuming that the benefits of price guarantee reach all farmers seeking it. The sharp rise in cotton prices in 1976-77, and the equally sharp reversal later provide an example of the insecurity facing the farmers, making rational decision-making a difficult process for them. Even when a floor price is fixed and is regarded as reasonable to start with, the very price would look unreasonably too low, once the market price having first risen reverts later to the floor level. This is understandable, because the prices of manufactured goods adjust to an upward rise in the prices of agricultural raw materials, but they

39. Yoginder K. Alagh, *op. cit.*, p. 555.

do not similarly adjust to downward movements of the latter. The wholesale price index of fibres increased at the rate of 5.9 per cent per annum during the seventies, but that of textiles—a manufactured product—increased by 7.2 per cent per annum. A recent study found that not only did farm prices of groundnut proportionately increase at a slower rate than the wholesale prices of oil, but farmers' share in consumer rupee declined from 61 per cent in 1962-63 to 53 per cent in 1980-81, while the millers' share increased.⁴⁰

The fluctuations are a problem more with agricultural prices than with the prices of manufactured goods. During the decade 1970-71 to 1980-81, the co-efficient of variation around trend (CVT) in the wholesale price index of foodgrains was 12.8 per cent, but lower at 8.3 per cent in the case of the general price level. The CVT in the prices of fibres was 11.6 per cent and in the prices of textiles only 5.4 per cent during the same period. The fluctuations at the disaggregated levels, particularly farm level, are much more sharp.

We can see from the year-to-year changes in implicit prices realised by farmers, as presented in Table 6.6 that the problem is more acute in the case of crops like paddy and jowar where farmers are less organised, and markets less prone to public intervention. In the case of wheat, the prices have been more stable and pursued a continuous upward trend, particularly since the bulk of the marketable surplus of wheat in Punjab is procured by the government itself. Where the procurement operations have been fairly massive, the problem of instability has been relatively less. The problem is most severe in commercialised crops like cotton, jute, groundnut and cocoa, where farmers are at the mercy of organised industry, and they have no option but to sell. In the case of foodgrains, the choice is relatively greater: the purchasers are more numerous, and the markets more competitive.

Though fluctuations in prices broadly correspond (negatively) to fluctuations in output, the relationship is never dependable and direct. In the case of export crops, they are also subject to world market forces. But even in other crops, price fluctuations are most often more severe than in output, not only due to the low price

40. Cf. S.R. Narappanavar and V.P. Bharadwaj, "Farmers' and Intermediaries' Shares: A Study of Groundnut during 1962-63 to 1980-81", *IJAE*, Vol. 36(2), April-June 1983.

elasticity of demand for farm products but also probably due to speculative operations. Moreover, price rise may not necessarily compensate for loss of output. Prices are determined at the level of the economy as a whole. Thus, there may be local droughts even when there is no drought at the national level, and there may not be a price rise to compensate for local droughts. Similarly, there may be a crash in prices following a general increase in output, but the latter may not have been shared by several regions. A recent study of Karnataka compared CVT in physical yield with the same in money value of yields (at current farm harvest prices) in eleven crops (see Table 6.8). Had there been a compensating or stabilising effect on money value of crops due to diverse directions of price and yield movements, the instability in money value would have been less than in physical yield. The study showed, however, that fluctuations in money value of yields were always high, often more than twice as high as in physical yields. It is obvious that farmers suffer from both unstable prices and unstable yields and that they do not counterbalance each other. At more disaggregated district or

TABLE 6.8: *Instability in physical yields vis-a-vis instability in money value of yields at current farm harvest prices (in Karnataka, State level, for the period 1955-56 to 1975-76)*

Crops in descending order of CVT in physical yield	Co-efficient of variation around trend (%)	
	Physical yield	Money value of yield
Maize	39.1	55.8
Wheat	29.4	56.2
Cotton	26.3	80.1
Ragi	25.4	31.1
Gram	22.4	46.0
Bajra	21.3	44.0
Tur	17.4	32.1
Jowar (total)	14.6	40.9
Groundnut	14.6	32.6
Rice	11.7	29.8
Sugarcane	9.1	28.8

Source: M.V. Nadkarni and R.S. Deshpande, *Rainfall and Yield Uncertainty in Karnataka Agriculture*, ISEC Research Report Series, Bangalore, July 1980 (mimeo).

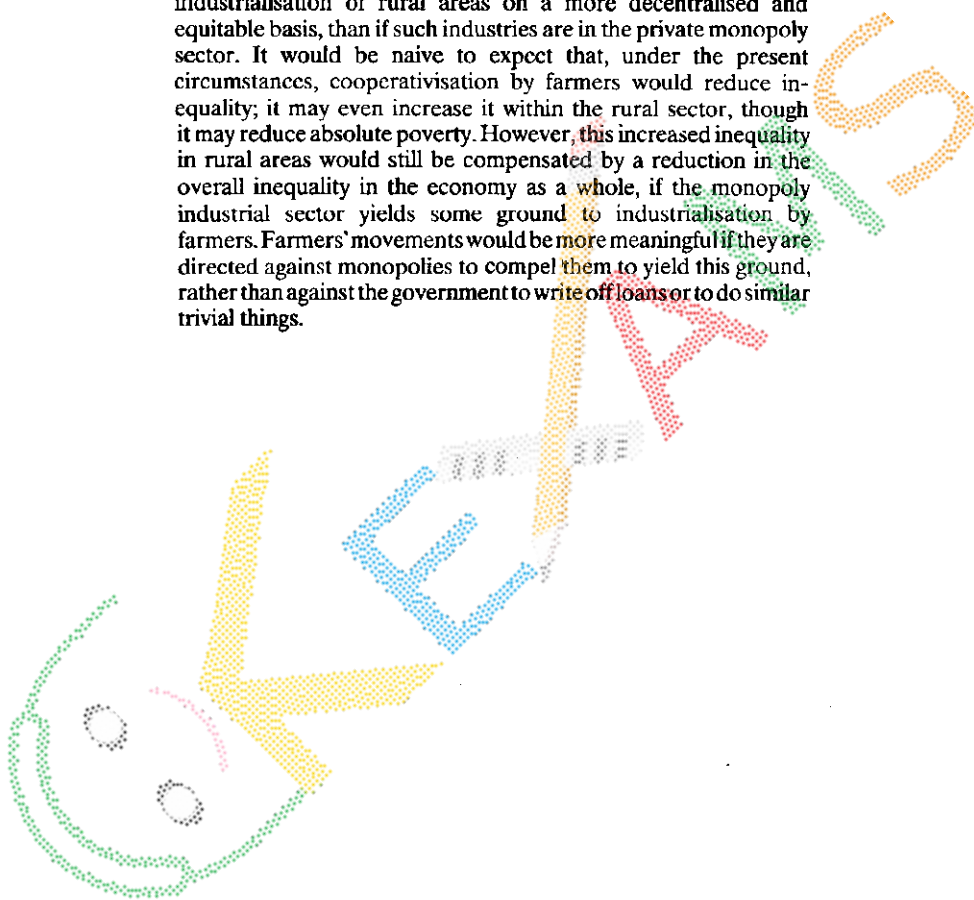
village levels, the problem could be even more severe.

As long as the dominance of private trading continues, the scope for destabilising expectations and hoarding would also continue. Though buffer stock operations can stabilise availability around trend, and hence prices too, the problem cannot perhaps be solved unless an effective countervailing power to private trade develops on an enduring basis as a normal feature of the market structure. This countervailing power can be provided by cooperative associations dominated by growers and by a viable chain of consumer cooperatives and/or the State public distribution network. An institutional framework is already there for them, but it needs to be strengthened and developed further. In particular, the monopsony power of private agro-processors like rice mills needs to be effectively checked to impart stability to the market of commercial crops and to increase growers' share in prices. There is adequate evidence to show that organisation of growers of commercial crops such as groundnut, cotton and sugarcane, involving vertical integration of marketing with processing, has shown positive results for growers.⁴¹ These steps have also to be accompanied by a scientific assessment of demand in the short, medium and long run, and the plan targets have to be derived from them and disaggregated at State levels, so that the concerned State governments can avoid excess production in one sphere and shortages in other spheres. Indicative targets can be given even at taluka levels, so that agricultural development can be more closely planned and monitored than now. Merely raising procurement prices would not solve the basic problem of insecurity, and it would be impractical to raise procurement prices much beyond costs merely to underwrite all previous increases in agricultural prices.

The real price problem is not between rural growers and urban consumers, as it is between growers on the one hand and the mediating forces that control agricultural marketing and processing on the other. It is when farmers attend to this issue, and take initiative to resolve it constructively through cooperativisation, that they would have taken a big step forward to solve their price problem. It could lead to modernisation and

41. See, for example, C.G. Ranade, K.H. Rao and D.C. Shah, *Groundnut Marketing*, CMA, IIM, Ahmedabad, 1982; B.S. Baviskar, *Politics of Development: Sugar Cooperatives in Maharashtra*, OUP, 1980.

industrialisation of rural areas on a more decentralised and equitable basis, than if such industries are in the private monopoly sector. It would be naive to expect that, under the present circumstances, cooperativisation by farmers would reduce inequality; it may even increase it within the rural sector, though it may reduce absolute poverty. However, this increased inequality in rural areas would still be compensated by a reduction in the overall inequality in the economy as a whole, if the monopoly industrial sector yields some ground to industrialisation by farmers. Farmers' movements would be more meaningful if they are directed against monopolies to compel them to yield this ground, rather than against the government to write off loans or to do similar trivial things.



Prices and Development—A Conclusion

It has long since been recognised in economics that a policy of keeping the terms of trade against the non-agricultural sector would hamper capital accumulation and economic growth. Ricardo was a strong opponent of protection to agriculture and advocated free import of corn and repeal of Corn Laws in England in the early nineteenth century. He argued that landlords were the only beneficiaries of high prices of corn which gave them high rents, and that this was contrary to the interests of every other class in society. His main concern, however, was with the adverse effect that the high price of corn had on growth.¹ The rising class of industrial bourgeoisie saw to it that the Corn Laws were repealed and corn prices brought down to normal levels, defeating the landlord lobby. There was no evidence of an adverse effect of this on British agriculture.²

It was the same concern with accumulation and fast industrialisation that led Stalin to turn the terms of trade against agriculture. But he went to such an extreme as to adversely affect agricultural development itself. A qualitative difference between England during the Corn Laws and the Soviet situation under Stalin was that in the former the agricultural prices had been raised artificially high due to the pressure from the landed gentry, while in the latter they were artificially depressed. Historical experience shows that both extremes have to be avoided. Moving the terms of trade too much in favour of one sector at the expense of the other has adverse repercussions not only on the disadvantaged sector but also on the whole economy. The policy even in socialist countries

1. David Ricardo, *On Protection to Agriculture*, 1822, as quoted by Radha Sinha, in *Food and Poverty—The Political Economy of Confrontation*, London, 1976, pp. 74-75.

2. Sinha, *ibid.*

now has been to keep a balance in terms of trade and correct the earlier disincentive to agriculture.³

In a developing country like India, the long-term tendency has been for the terms of trade to move in favour of agriculture rather than against. Though the industrial bourgeoisie as a class are in a strong position in the power structure, they nevertheless need the support of the rural elite who control votes. Moreover, since food gets priority in consumer expenditure, the demand pull factor also aids agriculture and keeps the prices high. If political pressure is used to turn the terms of trade in favour of agriculture much more than is warranted even by the long-term normal trend, it could affect industrialisation by reducing capital accumulation and dampening the demand for industrial goods. When food prices are high, the demand for which is relatively price-inelastic, it could diminish demand for non-food items particularly in fixed income groups and poorer sections.

In an early study of the years 1951-52 to 1965-66 by this author, an inflationary rise in the price of food articles was found to have a significantly negative impact on savings (at constant prices) by the household sector. Similarly, it curbed the consumption of cloth (a proxy for consumption of non-food manufactured goods), resulting in an increase in stocks with mills, and reduced corporate investment (as reflected in capital issues consented). The agricultural prices relative to non-agricultural prices did not show such an impact during the period, since both the trend and variation in relative prices were not very significant in the fifteen years since 1951-52. However, an inflationary rise in food prices, resulting from failure of agriculture to keep up with the demand for food articles generated by industrialisation, did in turn adversely affect industrialisation itself by curbing savings, investments and demand for non-manufactured goods.⁴ A little later, Patnaik too corroborated this view.⁵

3. For a detailed case study, see M.V. Nadkarni, *Socialist Agricultural Price Policy—A Case Study of G.D.R.*, New Delhi, People's Publishing House, 1979; also Indradeep Sinha's review article on the same in *Party Life*, Vol. 15(22), 22 November 1979.

4. M.V. Nadkarni, 'Impact of Price Level on Economic Development—India's Experience', in *Price Level and Economic Development*, Conference Number, Indian Economic Association, December 1968, pp. 33-40.

5. Prabhat Patnaik, 'Disproportionality Crisis and Cyclical Growth', *EPW*, Annual Number, February 1972, pp. 329-36.

More recently, another view of the whole process is being taken, which takes into account the effect of improvement in terms of trade on the economy via the effect on cultivators and rural economy and the improvement in home market caused thereby. Since cultivators constitute the bulk of the workforce, an improvement in their income improves the home market, the stagnation in which is the major reason for lack of speedy economic development, rather than inadequate saving and capital formation. Chakravarty and Mundle, among others, have emphasised the importance of home market and agricultural prices being favourable,⁶ though their approach is independent of Lipton's. Mundle has related restricted development of the home market with the slow development of capitalist agriculture, the latter attributed at least partly to a drain of surplus product from agriculture, which in turn was inversely related to the ratio of agricultural to non-agricultural prices among other things.⁷ As we shall argue below, while the first part of this argument can be readily conceded, the role of relative agricultural prices is a moot point.

It is argued that an improvement in agricultural terms of trade improves the incomes of not only cultivators but also of other sections of the rural population. Tyagi tried to show that if terms of trade improve for a sufficiently long time, they improve rural wages in real terms.⁸ It is also argued that once the real income of cultivators improves, it would stimulate rural industries too. If true, this would support the view that improvement in relative agricultural prices not only improves the home market and stimulate economic development, but also reduces rural poverty; even if it does not stimulate industries under the monopoly sector, it would encourage decentralised development.

Unfortunately, there are several snags in these arguments. While we can readily concede the importance of the home market and the

6. Sukhamoy Chakravarty, 'On the Question of Home Market and Prospects for Indian Growth', *EPW*, Special Number, Vol. 14(30-32), August 1979, pp. 122-42; also his 'Mahalanobis and Contemporary Indian Planning', in *Man and Development*, Vol. 5(1), March 1983, pp. 84-89; Sudipto Mundle, *Surplus Flows and Growth Imbalances*, New Delhi, Allied, 1981.

7. Sudipto Mundle, 'Home Market, Capitalism in Agriculture, and Drain of Agricultural Surplus', *EPW*, Review of Agriculture, 25 June 1977, p A53.

8. D.S. Tyagi, 'Farm Prices and Class Bias in India', *EPW*, Vol. 14(39), Review of Agriculture, 29 September 1979, pp. A111-24.

decentralised development, it is doubtful if the instrument of terms of trade is the right one for stimulating them. A surer way seems to be to improve the per capita output in the rural sector. Considering the extent of market dependence within agriculture, which we noted in Chapter 2, it would be reasonable to argue that the home market could be stimulated more by putting larger income or purchasing power in the hands of the rural poor and small farmers who have no net surplus to sell, rather than by increasing agricultural prices and reducing their purchasing power.

An increase in relative agricultural prices has not necessarily helped agricultural labour through a positive impact on wages. We may recall here that even in the sixties when relative agricultural prices had significantly improved, the share of wages in NDP from agriculture had declined (see Table 2.6). Between 1964-65 and 1974-75, a period when the terms of trade moved favourably for agriculture, the average daily earnings of rural labourers in real terms actually declined, as seen from the Rural Labour Enquiry Report for 1974-75. The decline varied from 1.4 to 17.5 per cent for various operations. This was inevitable because wages could not keep pace with prices. On the other hand, we would be on stronger grounds to say that in such instances where real wages increased, productivity per hectare—and particularly per worker—has increased even more than wages. It is when the demand for labour increased through multiple cropping and development of rural and other industries in surrounding areas, that it has resulted in an improvement in real wages, as illustrated by the Punjab case.⁹ A mere increase in agricultural prices even in relative terms has hardly led to an improvement in wages.

There is no evidence to show that an improvement in the relative agricultural prices would improve rural industries, since the factors behind the stagnation or decline of rural industries have been quite different. Professor V.K.R.V. Rao has actually shown concern over the fact that the prosperous cultivators hardly spend their incomes on rural goods, and spend instead on urban goods, thus leading to a leakage of multiplier effect that would have been felt on rural

9. Real wage rates in the Punjab increased in spite of the influx of immigrant labour. Productivity per labourer explained the variations in real wage rates best. See Sheila Bhalla, 'Real Wage Rates of Agricultural Labourers in Punjab, 1961-77', *EPW*, Review of Agriculture, 30 June 1979, especially pp. A58-59.

development. An important factor behind the decline of rural industries and lack of rural development, as he sees it, is that the rural communities are often too small to be viable and to sustain such activities. He, therefore, suggested clusters of villages as viable units for rural development, which can promote more interaction among themselves, develop community life and a certain amount of diversification of the rural economy. He has hardly recommended relative prices as an instrument of rural development.¹⁰

While identifying several barriers in rural development, V.M. Rao has of course mentioned “depressive market penetration”, but refers particularly to the asymmetry in the nature of market functionalities. “While the markets for non-agricultural rural produce are weak and unorganised, those for the urban products penetrate the rural economy deeply and widely.”¹¹ There is a clue here to the question why rural industries do not thrive, which has little to do with relative agricultural prices.

Though a continuous increase in relative agricultural prices would benefit cultivators with net marketable surplus in the short run, it is doubtful if it also results in the amelioration of rural poverty. Mundle’s own study giving “preliminary results” showed that the correlations between the terms of trade and rural poverty were not significant. However, there was further evidence of negative correlation between rural poverty and the per capita foodgrains production.¹² This also corroborates Ahluwalia’s earlier conclusion that “there is strong support for the hypothesis that the incidence of rural poverty is inversely related to agricultural performance measured in terms of *agricultural NDP per rural person*”¹³ (emphasis added). This would suggest that the more dependable strategy for expanding the home market and for reducing rural poverty would be one of ensuring an increase in the per capita production, than increasing agricultural prices.

A recent study by Rangarajan also shows that the net effect of a

10. V.K.R.V. Rao, ‘Some Neglected Factors in Integrated Rural Development’, Convocation Address at IARI, New Delhi, January 1977.

11. V.M. Rao, ‘Barriers in Rural Development’, *EPW*, 2 July 1983, p. 1188.

12. Sudipto Mundle, ‘Effect of Agricultural Production and Prices on Incidence of Rural Poverty—A Tentative Analysis of Inter-State Variations’, *EPW*, Review of Agriculture, 25 June 1983, pp. A50-51.

13. Montek S. Ahluwalia, ‘Rural Poverty in India: 1956-77 to 1973-74’, in *India: Occasional Papers*, World Bank Staff Working Paper No. 279, 1978, p. 39.

rise or fall in the terms of trade of foodgrains on the economy is negligible, but growth rate in the agricultural output had a more certain and positive impact on the national income and even on the industrial output.¹⁴ Whereas the effect of the terms of trade cancelled themselves out (due to diverse directions of effects on cultivators and the urban sector), the effects of increasing agricultural output reinforced each other at the macro level.

A struggle for improving the terms of trade of agriculture can be justified when there is evidence of deliberately turning them against agriculture as a matter of strategy. Such has not been the case in India. We have seen that actually the terms of trade have been steadily moving in *favour* of agriculture in the long run and that the deterioration in the seventies was actually a corrective to the earlier *abnormal increase in relative agricultural prices*. Even this reversal has not been the result of a deliberate official policy, but forced by the price hike in petroleum products. It is possible that the private manufacturing sector made use of this occasion to improve some of its prices more than warranted by this hike, but even this has not reduced the relative agricultural prices below the normal band around the long-term trend, except slightly as in 1981-82. There has again been an improvement subsequently. We have also observed that relative to per capita income, Indian agricultural prices are quite high compared to world prices. Even in absolute terms, converted at the current exchange rates, the domestic prices of foodgrains compare favourably with world prices, while our raw materials have been steadily losing their price advantage in world markets. Though the rate of return over costs in agriculture has declined in the seventies, it continues to be satisfactory on the whole. But the pinch of this decline was felt because of a slow-down in the growth of output. We have to appreciate that all the decline in the rate of return over costs cannot be attributed to adverse relative prices. As shown in Chapter 2, at least about 44 per cent of the increase in money costs was due to an increase in real costs—a problem which cannot be solved through terms of trade. Improving the skills, better management of the new technology, and taking care to see that there is no neglect of traditional practices of

14. C. Rangarajan, *Agricultural Growth and Industrial Performance in India*, Research Report 33, International Food Policy Research Institute, October 1982.

maintaining soil health while using modern inputs, are at least as important as price incentives to use modern inputs.

Though there is indeed a need for market reforms and for farmers to take over agricultural trade and processing on a cooperative basis and for the state to develop a countervailing and corrective power to tame private trade, there is no evidence to suggest that commercialisation of agriculture by itself has led to immiserisation. On the other hand, more commercialised villages have not only been more prosperous but also had less rural poverty (though they also had more inequality). This was so because commercialisation of agriculture occurs with and promotes an increase in the per capita productivity.¹⁵

Any unbalanced stress on price incentives to promote production and reduce rural poverty, also promotes its own contradictions. It provides defensives and offensives in other sectors and can be self-defeating and costly in the long run. The initial gains to agriculture are cancelled out to a large extent through a mad race in inflation, leaving the poor in both sectors badly bruised. Let alone more far-reaching measures, even public expenditures and non-price shifters were found to be “both more cost-efficient and less regressive on the distribution of consumption than price incentives.”¹⁶

It is not intended to imply here that, therefore, the terms of trade should go against agriculture. Rangarajan's study, referred to above, showed that the adverse terms of trade of agriculture decreased rural non-food expenditure, gross capital formation, and savings. Another study of intersectoral resource flows by Mody showed that while there was a net inflow of resources into agriculture in the sixties, there was a net outflow from agriculture in the seventies.¹⁷ This cannot be attributed only to the directions of

15. Cf. M.V. Nadkarni, *Socio-Economic Conditions in Drought Areas—A Benchmark Study of Drought Districts in Andhra Pradesh, Karnataka and Tamilnadu*, Report to the Central Water Commission, Government of India, ISEC, 1982 (Mimeo), under publication by Concept Publishing Company.

16. This was the conclusion of a thorough simulation exercise. Cf. Alain de Janvry and K. Subbarao, 'Agricultural Price Policy and Income Distribution in India', Division of Agricultural Sciences, University of California, February 1983 (unpublished).

17. Ashoka Mody, 'Rural Resources Generation and Mobilisation', *EPW*, Annual Number, Vol. 18(19-21), May 1983, pp. 789-824.

the terms of trade movement. Nevertheless, there is a warning here that the deterioration in the terms of trade during the seventies should not be allowed to proceed too far. While a mechanical or rigid adherence to a past parity is neither feasible nor desirable, because technological changes should be reflected in prices, it is also unreasonable to expect that it is only the agricultural prices that should reflect such a change. When the forces of production are developing more speedily in the manufacturing sector, it is necessary that the benefits of these should accrue to the consumers of this sector. As Chakravarty said, "agriculture will require increasing quantities of industrial products partly to substitute for rapidly diminishing physical land availability per capita, and partly for providing additional consumer goods to keep the exchange relationships between industry and agriculture in proper alignment. This will require cost reduction in industry, especially in critical sectors such as electrical machinery, chemicals, etc. This will be possible only if an industrial sector is technically progressive."¹⁸ This would indeed be the sweetest way of improving the terms of trade of agriculture, at least from the point of view of those whom inflation victimises.

The tragic part of the Indian situation is that neither has the industrial sector shown such cost-saving technical progress significantly enough, nor has the agricultural sector witnessed a significant rate of growth in the *per capita* productivity which would have raised incomes and stimulated the home market. The inability of industrial development to create sufficient employment opportunities has forced the bulk of the workforce to hang on to agriculture decade after decade.¹⁹ Not only has the average size of holdings declined, but the area under non-viable cultivating households that are unable to generate positive net marketable surplus, has tended to increase. It is this factor that has adversely affected the generation of investible surplus and the home market,

18. Chakravarty (1983), pp. 87-88.

19. "Even under the most optimistic conditions of economic development, about 18 crore people depending on agriculture will be living below the poverty line (by the turn of the century). The problems of these Indian poor cannot be solved within agriculture because this sector cannot itself provide enough employment and income." Cf. Ifzal Ali, B.M. Desai, R. Radhakrishna, and V.S. Vyas, 'Indian Agriculture at 2000—Strategies for Equity', *EPW*, Annual, March 1981, p. 409.

more than any other. This has constrained capitalist development in agriculture. The root of the crisis in agriculture, therefore, is the crisis in the economy at large—the crisis of stunted capitalist development.

The new technology in agriculture postponed the development of the crisis for some time, as a result of which not only productivity per hectare but also productivity per worker increased initially, even in relation to the non-agricultural sector. But the slow-down in agricultural growth led to a sharp decline in the relative per capita income in the seventies. Unfortunately, it also coincided with a deterioration in the terms of trade too, which meant that relative prices accentuated this decline. This was indeed a shock to the farmers, coming as it did after a decade of improvement in both relative real income and relative prices.

Understandably, this reversal not only blurred the long-term view of terms of trade, but also the crisis situation at the macro level which lay behind the crisis in agriculture. The inability to perceive and alter this situation made the farmers to seek an easy palliative in the form of disproportionately increasing the procurement prices and turning the terms of trade decisively in favour of agriculture such as to maintain the golden era of the sixties and the early seventies. The limitation of doing so began to be perceived as being due to an 'urban bias' in the price policy. The instability in the agricultural market and crash in prices from time to time lent both provocation and strength to such perception. Above all, it suited the farmers with a net surplus to demand higher prices. But they showed little evidence of genuine interest in the basic market problems that affect the bulk of the farmers. Struggles have hardly taken place for enduring market reforms that would increase farmers' share in consumer price and promote stability in prices. Such struggles on real market problems would have helped the more disadvantaged farmers. Instead, the struggles on price issues concentrated on raising procurement and support prices and reducing the prices of industrial and government inputs—issues which bring benefits mostly to the elite farmers. Sharad Joshi's Nasik and Nipani struggles no doubt had the right start and the potential for ending the exploitation of farmers by middlemen if pursued to their logical end. However, before long, his movement got trapped by the elite farmers' lobby.

The political dimension of farmers' movements also needs to be

appreciated. Politically, the social classes that comprised the dominant farmers had begun to feel insecure in the seventies, compared with their position in the sixties. Even by the end of the sixties, there was evidence of a realisation on the part of Mrs Indira Gandhi that the dominant farmers, taking advantage of their caste position, could play a role that could adversely affect economic growth and amelioration of rural poverty. Apart from the efforts to have more radical land reforms involving lowering of ceilings, decisive moves were made to bring up leaders in the States who had a different base from that of the dominant farmers. It had a particularly great success in Karnataka, where Devraj Urs wrought a minor revolution by organising the minority backward classes to oust the dominant castes from a position of dominance in State politics. That the main base of farmers' movements has been among the dominant castes is no coincidence. Even in Maharashtra, consistent attempts have been made to tame the power of the sugar barons, and Chief Ministers have sometimes come from a different political base and even from outside the dominant caste, which was unthinkable in the sixties. In Tamil Nadu, too, there was the background of democratic local institutions being subverted and packed with bureaucrats, with little scope for the elite farmers. The state of local institutions in Karnataka too was hardly ideal for the local politicians, which made the Janata government to take steps to revitalise them after it came to power. Thus politically too the elite farmers were feeling concerned, and the objective economic evidence of their declined political power was seen in the deterioration in the terms of trade from their peak level of the early seventies. It was no mere coincidence that the sharp rise in the terms of trade in the sixties and their reversal in the seventies have tallied with the ascendance and decline of farmers' power in the national and regional power structures. Mitra's thesis on the terms of trade being determined by class relations has been amply vindicated, though other economic factors too helped the process. Whether other economists agree with Mitra or not, farmers seem to know their political economy perfectly well. Their fight for more power and better terms of trade go together. If the latest indications of improvement in the terms of trade during 1982-83 and 1983-84 are any guide, their fight-back has already produced results. They have reasserted their power, both economic and political.

In conclusion, it is necessary to answer the important question as

to whether farmers' movements represent a progressive force. Do they have the potential of ending the prevailing inequalitarian social and economic order, of curbing the power of monopoly capital, and of promoting faster economic development that provides employment and security to all? Considering the course of movements which have been ultimately overtaken by the elite farmers' reluctance even to struggle for enduring and basic market reforms, the overemphasis on raising prices, and failure to take up the cause of agricultural labour and small farmers in an effective way (unlike as in the case of price issues), there does not seem to be much evidence of a revolutionarily progressive *motivation* in the farmers' movements. They may indeed have a *potential* for checking the exploitative role of merchants, for disciplining local bureaucracy, and for stimulating communitarian support for more productive and equitable use of common property resources, and of course for bringing more resources for rural development, and even for ensuring that they are effectively used. But, in practice, they have also shown a potential for playing a perverse role. Much before producing a constructive impact, the movements curbed legitimate financial flows to the government in respect of electricity charges, irrigation dues and loan repayments, thus affecting its capacity to allocate resources for rural development itself. Though the campaign for non-repayment of loans and other dues helped initially in winning wider support, the small farmers soon saw that this would cut their source of institutional finance, meagre though it was for them. When the contradictions of such campaigns began to be felt, the movements themselves weakened beyond recovery.

Farmers' movements as pressure groups to promote the interests of surplus farmers have not been unique to India. They have long since been a prominent feature of American agriculture too. As in India, "the American farmers' movements originated with the awareness of farmers that they had become a part of the price and market economy. If a curve can be drawn to represent the high and low tides in the Farmers' Movement, the crests of this curve will be seen to coincide quite regularly with troughs of the farm commodity price curve. This correlation has gradually diminished, probably because the *ideological pattern of the movement has become sufficiently fixed to sustain itself without the superstimulus of farm*

depressions."²⁰ (Emphasis added.)

Here lies the danger that even when the objective basis for agitations on price issues may not be there, the ideological fixation of the movement can be used to constantly promote the interests of surplus farmers and improve their position in the power structure to the detriment of economic growth and even of the urban and the rural poor. Even if agriculture in India has a different structure, it has acquired capitalist characteristics and institutions, and it is not surprising that movements and pressure groups of the American type have developed here to promote the interests of capitalist agriculture. There is as yet no convincing evidence to show that farmers' lobbies and movements in India have a more progressive or revolutionary motivation of ending capitalism than their counterparts in the USA.

The farmers' movements in India may, however, have excelled in populist philosophising. Some farmers' leaders, like Nanjundaswamy particularly, have emphasised that the price issue is only one of the many issues affecting farmers and the ultimate goal of their movement is to end capitalism of the Western type and run the economy on Gandhian principles. We can concede both the sincerity of personal conviction of Nanjundaswamy in this goal and the need to curb the *mad rush to elitism* that provides little employment and security to the masses. He has already given a call to his followers to avoid synthetic fabrics and wear only cottons. But there have been no corresponding moves to take up the issues concerning rural artisans and rural industries or to improve other aspects of rural life such as education and health. The fact is that farmers' movements are yet to graduate themselves into rural movements for improving the quality of life of the bulk of the rural population, let alone movements of all the deprived sections including the urban poor. Irrespective of his personal convictions, it is doubtful how far Nanjundaswamy would be able to dissuade the elite farmers from emulating the life styles of the urban rich and carry them to Gandhian goals. The means adopted by the farmers' movements may well be Gandhian, but it is doubtful if the goals are. The ideology of ruralism may have more to do with providing a philosophical justification for gaining an upper hand for the elite

20. Carl C. Taylor, *The Farmers' Movement: 1620-1920*, Connecticut, Greenwood Press, 1971 Reprint (Original 1953), p. 10.

farmers for running the country, than with ending capitalism.

It is not a coincidence that the left parties advocating basic market reforms and struggles against monopoly capital are cornered and the movements led by the elite farmers, who have no interest in such struggles, have gained ascendance. Farmers' movements represent struggles within the power structure for an upper hand and not struggles to end the power structure itself by those outside it. It is the latter struggles that have the revolutionary potential of transforming the social and economic order. The former struggles have been taking place through a competition in inflation, which benefits both the elite farmers and monopoly capital at an enormous cost to both the urban and the rural poor, who are outside the power structure. A medieval Kannada poet had exclaimed "Koanagaléradum hoaré giduvingé miththu" (when two he-buffaloes fight, it is the small plants that die).²¹ These two super powers within the domestic power structure are strong enough to protect their own interests, and, through their very struggle with each other, they manage to victimise the rural and the urban poor and draw advantages to themselves. It would be a pity if this turns out ultimately to be the sum and substance of farmers' movements in India.

21. Raaghavaanka in 'Harischandra Kaavya.'

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