

## **EFFECT OF GLOBALIZATION ON** **AGRICULTURE**

The study of effects of globalization would be incomplete without considering its impact on the most important sector of the economy. The agricultural sector is known to be the backbone of the Indian economy with an employment of 70 % of the population in various agricultural, horticultural and allied activities. Its contribution to the Gross Domestic Product however has been declining steadily over the past decades due to low productivity. Currently it contributes 18 % to the GDP and 10 % to the export earnings of India. With a view to move towards liberalizing the agricultural sector and promoting free and fair trade, India, a member nation of the World Trade organization (WTO) signed the Uruguay Round Agreements on 1st January 1995. The Agreement On Agriculture of the WTO, was the first multilateral agreement, meant to curb unfair practices in agricultural trade and set off the process of reforms in the agricultural sector. It contained the following broad areas :

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1. Tariff Reduction : Previously trade in agriculture was restricted by quotas, import and export licensing and other non-tariff barriers. The AoA required that all non-tariff barriers be replaced by a single tariff rate called the bound tariff rate and that existing tariffs be reduced in a phased manner over a stipulated period of time. Developing countries including India were expected to reduce bound tariffs by 24 % , minimum of 10 % for each commodity over a period of 10 years.

2. Market Access : To avoid the adverse effect of tariffs on certain special products, importing countries have given a current access commitment by establishing a tariff quota, up to which imports are allowed at a lower rate and above which higher tariffs are charged.

Under minimum access commitment countries had to import a minimum quantity of their most restricted products. i.e. In case of products with marginally low or no imports, countries had to impose tariff quota imports equal to 3 % of domestic consumption, which would increase to 5 % by 2000.

3. Export Subsidies : They are special incentives given to the exporters to encourage sales of exports abroad, allowing them to charge competitive or lower price in the world market. However this created distortions in international trade and hence AoA prohibits export subsidies. Member nations were expected to reduce them. While developed countries were supposed to cut the value of export subsidies by 36 % over 6 years, developing countries were to reduce them by 24 % over 10 years. LDCs were exempted.

4. Domestic Support Subsidies : Domestic support through subsidies and other measures were meant to push imports out of the market and also enable domestic exporters to compete in the world market. WTO measured this support as '(AMS) Aggregate Measurement of Support'. Domestic support is categorized in the form of red box, amber box, green box and blue box subsidies. Red box subsidies are banned whereas amber box subsidies are not banned but actionable. These subsidies were believed to be the most distortive in international trade having adverse effects on trade interests of others. Green box subsidies in the form of assistance to research activities, disadvantaged regions or non-discriminating subsidies and Blue box subsidies in the form of direct payments to farmers required to limit their production were permitted and non-actionable. The Blue box subsidies were not allowed to be not more than 5 % for developed countries and 10 % for developing countries.

## 9.9.2 Impact of Globalization on Agriculture and current trends:

- India is the second largest producer of food in the world. However Indian agriculture has shown a slow average annual growth rate. It was 3.1 % during the decade 1980-1990 prior to liberalization of the economy. But since then the annual growth rates have declined consistently relative to annual growth rate of the population. Several factors were responsible for this fall in growth rate ; lack of credit, inadequate irrigation cover, and indebtedness, continuing use of obsolete technology, improper use of inputs and decline in the public investments.
- The decline in overall growth of employment during 1993-94 to 2004-05 was largely due to fall in creation of employment opportunities in agriculture. With increase in knowledge and entry of many foreign firms in the non-agricultural sectors, the labour has shifted to manufacturing and services sectors. The National Sample Survey Organization's (NSSO) report on Employment and Unemployment Situation in India 2009-10, on the basis of usually working persons in the principal status and subsidiary status, for every 1000 people employed in rural and urban India, 679 and 75 people are employed in the agriculture sector, 241 and 683 in services sector and 80 and 242 in the industrial sector, respectively.
- With globalization farmers were encouraged to shift from traditional crops to export- oriented 'cash crops' such as cotton and tobacco but such crops needed far more inputs in terms of fertilizers, pesticides and water. The growth in yields of principal crops notably rice and wheat have also decelerated.
- There has been a decline in overall area under food grains during 2011-12. The area coverage under food grains during 2011-12 stood at 1254.92 lakh ha compared to 1267.65 lakh ha last year. The lower area under food grains has been due to a shortfall in the area under jowar in Maharashtra, Rajasthan and Gujarat; Bajra in Maharashtra, Gujarat and Haryana; and in pulses in Maharashtra, Uttar Pradesh, Andhra Pradesh, and Rajasthan.
- Appropriate use of agricultural equipments, suited to the crops and the region of cultivation, lead to efficient utilization of farm inputs, making farming financially viable and profitable. Though there has been considerable progress in farm mechanization, its spread across the country still remains uneven.

The most significant supply side constraint to agricultural production is irrigation coverage that still extends to only about 40 per cent of net sown area. There has been a slow down in the growth rate of direct demand for food grain consumption on account of several factors and there is a need to address these challenges of the agriculture sector through coordinated efforts directed at improving farm production and productivity through high value crops, developing rural infrastructure, renewing thrust on the irrigation sector, strengthening marketing

infrastructure, and supporting investment in R&D with due emphasis on environmental concerns.

### 9.9.3 Agrarian Crisis:

The Structural Adjustment Programme (SAP) of liberalizing the Indian Economy was undertaken in 1991 as per the directives of International Monetary Fund and World Trade Organisation. Major reforms were introduced in the real and financial sectors of the economy with a view to increase its efficiency and profitability. Trade was also liberalized ; the import and customs duties of many products were drastically reduced or abolished completely. Removal of all restrictions on imports lead to a steep fall in their domestic prices rendering them unprofitable for production. The government started disinvesting in agriculture and the industrial sector allowing the private sector to take over. The government reduced different types of subsidies to agriculture which increased the production cost of cultivation. This lead to the agrarian crisis as it had an adverse impact on the agricultural sector.

- Several million hectares of food-growing land were converted to exportable crops leading to fall in foodgrains output. India being self-sufficient, started exporting wheat and rice. But the rate of growth of the GDP in agriculture and allied sectors was just one per cent per annum during the year 2002-05. As a result, per capita availability of foodgrains decreased; the growth rate of population became higher than that of foodgrains. Moreover trade liberalisation with a thrust on exports has been inconducive to Indian markets causing a steep fall in prices of farm goods. As prices fell for Indian producers of export crops, their access to low-cost credit was also reduced under financial sector reforms.
- Lending facilities and concessions of banks were removed during the post-reform period and this accelerated the crisis in agriculture. Farmers were unable to pay back loans with high interest and also resorted to borrowing from unorganized elements such as moneylenders , thus falling into the debt trap. Farmers did not benefit even with contract farming and their exposure to steeply falling global food prices plunged them into spiralling farm debt pushing them to commit suicide.
- The restructuring of the public distribution system , through the creation of two groups - Below Poverty Line (BPL) and Above Poverty Line (APL), continuously increased their prices through ration shops , affecting the availability of food grains to the poor at subsidised rates. As a result, even the poor people did not buy the subsidised foodgrains and it got accumulated in godowns to be spoiled or sold in the open market.

- Increase in the instance of farmers' suicides has been a major fall-out of stagnation in agriculture. Monopolisation of HYV seeds, shift in farming from chemical farming to organic farming, global competition is killing our farmers literally. Since agriculture is not drawing remunerative income, farmers have become desperate, turning to suicide as an escape from the debt trap. More than five thousand indebted cotton farmers, have committed suicide in Andhra Pradesh since 1998. Punjab and Maharashtra ( Vidarbha) are not far behind in numbers. This is a grave issue which requires urgent and continuing attention of the government and society.
- Contract farming has lead to a direct onslaught on peasant land and water resources by the corporates. Restrictions on landownership by non-cultivators have been removed and ceilings on landholdings rolled back in many states to aid large business corporations in purchase of agricultural land. Farmers are giving up land to solve their debt crises but are unable to overcome their food problems.
- Unemployment in the agricultural sector has in fact increased during the reform period.

Under the Special Economic Zones Act of 2005, land has been taken over by the government for commercial and industrial purposes. Most of the acquired land is fertile for non-agricultural purposes. Corporate bigwigs like Reliance, TATA have faced public protests over their acquisition of land such as Nandigram agitation in West Bengal. SEZ were introduced to promote export and industrial growth in line with globalisation but have resulted in exploitation of farmers taking away their means of livelihood and directing land towards business and manufacture.

The increased grain exports have been at the cost of hunger and starvation as millions of rural labourers and farmers have suffered job loss and income decline. Rising unemployment, rising input and credit costs for farmers and exposure to global price declines are responsible for the low absorption of food grains in India.

## 9.10 GROWTH OF CORPORATE FARMING

Contract farming and Corporate farming have been encouraged by the government as possible solutions to problems of Indian Agriculture. The small sized, fragmented, uneconomic

landholdings and lack of competitiveness of agricultural produce are main reasons for eroding profitability of the agricultural sector. State governments across different states such as Andhra Pradesh, Tamil Nadu, Gujarat, West Bengal and many more are amending laws to encourage the practice of corporate farming. Prime agricultural land and wastelands are being purchased or leased in by corporate houses, to undertake agri-business ranging from seed supply, agrichemicals to storage, transport and retail sales. The large corporates, primarily motivated by profits, invest huge amounts of funds towards research and modernization of agriculture and with complete control over land holdings are able to maximize produce for both sale in the open markets as well as their own retail food processing. Reliance Fresh, Tata agri-chemicals, Sterling Agro, McDonalds, Hindustan Lever are only a few examples of entry of private sector into the primary sector.

The problem of the Indian farmer is that the farm land should be owned by the independent farmer and input costs like farm machinery, crop insurance, fertilizers, irrigation, pesticides, fuel, and seeds should be borne by the corporates. But corporate farming at present is bringing back feudalism as corporate farmers are working as contractual labourers of the corporates that have bought their lands and employed them. The small farmers, now landless, continue to be plagued by problems of hunger and debt.

Corporate farming can be economically and socially beneficial if it gets the marginal farmer a remunerative price. It adds to the export capacity of the country by discovering international markets for the fresh produce, fruits, vegetables and processed primary goods of consumptions thus contributing to the growth in agriculture. Credit requirement is not a constraint for the big corporates as they have huge funds at their disposal as well as ample support of the financial institutions and banks. They can undertake large-scale investments necessary for marketing from packaging to warehousing to transportation of primary goods. There is a huge demand for organic foods among consumers today and such cultivation is being taken up by the businesses to cater to changing preferences

However corporate farming has its fair share of pitfalls which can reverse trends of growth and increase social injustice. Since the corporates continue to operate on the motive of profits, they will not be too concerned with the welfare of the farmers. Production will become completely market-oriented substituting subsistence cropping by commercial cultivation. More and more of the farm output produced will be for the export basket rather than satisfying domestic needs of consumption. It is already observed that there is an increasing trend of casualization of labour causing a shift in

employment from the agricultural sector to the urban informal and service sectors. Concrete steps need to be taken by policymakers to ensure the farmers' status in the country doesn't worsen.