Need for a new Agricultural Strategy in Punjab

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Fifty eight years ago, at the time of Independence, Punjab was a flourishing state with one of the highest GNPs among other states in the country. Now it is struggling to provide bare survival to its 16 million inhabitants. For many of the state's debt-ridden farmers, the struggle for existence no longer seems worth the effort. Punjab has the highest number of rural suicides in the country. Against the state government's admission of 2116 rural suicides since 1986, MASR already has a record of more than 750 suicides from the same period **for only two blocks of Moonak Subdivision** (Lehra and Andana). Punjab has 138 blocks. This data does not represent the complete toll; the actual number could well exceed a thousand. The cause for Punjab farmers' distress are not difficult to identify:

1. Diversion of Punjab river waters and hydro-electricity to non-riparian states

Punjab's rivers are not interstate rivers. Their water was diverted to Rajasthan and Haryana **against** national and international riparian law, through coercive agreements. Prior to the Indus Treaty, Punjab sold water to Rajasthan under three conditions: the deal might be cancelled at any time at Punjab's convenience; it was on payment of seigneurage; and that **Rajasthan would permit Punjabi farmers to settle in the areas served by the canal system.** Shortly after India signed the Indus Treaty, Punjab was told that surplus water was not to flow into Pakistan; and that the water of the Ravi, Beas and Satluj available to it was far in excess of its requirement. Regarding Rajasthan, Punjab was told that its southern neighbour would never be able to utilize the 8 MAF earmarked for it, so Punjab would be given the advantage of the unused balance. The state was pushed to sign away water to Rajasthan.

Fully, 75 per cent of Punjab's river water was diverted to non-riparian Haryana and Rajasthan, and seigneurage (which Rajasthan was paying) was later withdrawn to legitimize Rajasthan's claim on Punjab water. As Rajasthan started drawing more and more water, Punjab was left to face water scarcity. The areas worst affected by this scarcity are those at the tail-end of the canal system where supply of irrigation water has been drastically reduced. These water-scarce areas coincide with the suicide-prone areas.

The present allocation of water to Rajasthan cannot be justified under any pretext and is, in plain terms, theft from Punjab since it was never compensated. The diversion of this water has caused loss to Punjab agriculture that runs into astronomical figures. Punjab is excluded from any portion of Jamuna waters. If Haryana were prepared to divert some portion of Jamuna water to Punjab, then Punjab might be disposed to 'trade' a like portion of water from Punjab rivers to Haryana.

Tribune News service dated January 14, 2003 quoted co-ordinator for Minister of Environment P.V. Sridharan as saying, "Out of 138 blocks of Punjab divided to assess groundwater level situation in Punjab, 84 have been declared as **dark**, as they have exploited their groundwater; 16 are **grey** blocks and only 38 are **white** leaving scope for further utilization. We also reject any talk of interlinking of rivers as we are seeing the effect of river waters diversion in Punjab. Indeed Punjab is on the fast track to desertification.

Vis a vis Rajasthan, Punjab should return to the pre-1995 position empowering Punjab to specify quantum of water which is to flow to Rajasthan on payment of seigneurage. **This is beneficial to India as the same quantity of water to Punjab would yield much more grain than if it were supplied to distant Rajasthan due to seepage and evaporation.**

Result: dependence on costly thermal power generated tubewell irrigation, depletion of water table and frequent deepening of tubewells, salinity due to subsoil water, etc. Punjab has taken the right step in annulling agreements by which Punjab's river water is supplied to non-riparian and non-basin states.

2. Ceiling on agricultural land - but not on urban property or income: After Independence, through successive land ceiling laws (the last being in 1971) rural land holding was limited to 18 standard acres. On the other hand, urban land holding and income are exempt from ceiling. The ceiling laws have brought down most land holdings in Punjab to between one and four acres. It appears that the government planners had decided to limit the upward mobility to towns-people. Mahatma Gandhi had said that India lives in the villages and development must begin from the villages. Gradually increase land ceiling taking care to protect the individual farmers against *Arhtiya*/corporate farming interests. Agricultural land should be restricted to verified agriculturalists of the state only as was the law in British India and presently the law in Himachal Pradesh and some other states.

3. Corporate farming: Adoption of a policy favouring the ingress of corporate farming would be a terrible mistake. The majority of farmers and all others dependent on the farming community would be rapidly forced off the land. Even if agriculture flourishes under corporate management, the agriculturists themselves would be dispossessed and impoverished. When new occupations become available to people from farming backgrounds, we will see a shift away from farming but this shift represents free choice of a more remunerative option. It will be a good thing and in no way comparable to the desperation of the dispossessed. Corporation farming also will mean outflow of money from the state, and perhaps even the nation. At this stage the impoverished farmers are not in a position to purchase land. On the other hand, the *Arhtiyas* and corporate sector are more likely to acquire what land the farmers have left.

4. Unfavourable price structure: Decades of unrealistically low government-set minimum support prices (MSP) and high input costs. Consumers of other states have been subsidized at Punjab farmers' cost over many years. Relate minimum support price to the market price index till such time that farmers are in a position to match import price. Provide a buffer against influx of cheap imports under the new WTO regime. Fix MSP for crops selected for diversification.

5. High rate of interest: Institutional finance was 16 to 18 per cent but covered only 20 per cent of the rural demand; the balance non-institutional loan carried an interest rate of 40 to 60 per cent.

Village land is rapidly passing from the hands of the farmers to the arthiyas and money-lenders. Men whose forefathers tilled the same fields for generations are now forced to sell their land, often to settle "debts" that may be illegal, entirely fraudulent or even non-existent. To rural Punjab, land is livelihood ... and more than that, it is life itself. Thousands of cases can be cited from the recent past wherein debt-trapped farmers and farm labourers, reduced to penury and threatened with the loss of their land, have committed suicide. Their number is rising at an alarming rate.

Make institutional finance available to all farmers, with interest ranging between 5 and 6 per cent. Computerise Revenue records immediately. Provide every farmer a passbook containing complete and up-to-date revenue records of his holding. This passbook should be the legal document for loans and land purchase or sale.

6. Lack of direct subsidies to farmers: According to a former Union Minister for Agriculture, Som Nath, "the total volume of subsidies available to farmers in India is just 10 per cent, which is peanuts compared to what is available to the agriculturally and industrially advanced countries - 60 per cent of the farmers received no subsidies in any form". The share of agriculture in Five Year, Eight & Ninth Plans was Rs. 367 crore and 801 crore respectively. For industry it was a Rs. 3608 and 2765 crore. Every time the government declares that it intends to "help the farmers" it gives more subsidies to industrialists producing agricultural inputs. A man whose holding is barely two acres is not helped by this form of subsidy. **Provide subsides directly to the farmers.**

7. Restriction on trade: Before Partition, Punjab's progress was largely dependent on being the trade route to west and Central Asia, both by land and by rivers. Punjab's cities flourished thanks to their connection to this trade route. Its five rivers flowed into the Indus carrying merchandise to the port at Karachi for onward shipment. Both Punjab and Bengal suffered the tragedy of partition; Bengal was not deprived of its port of trade that flowed through it, but Punjab lost a significant economic resource. Reopening the border with Pakistan would not only allow Punjab to benefit from favourable terms for agricultural products, it would also benefit Himachal Pradesh, Jammu & Kashmir and Haryana in particular and India in general. Open trade routes between India and Pakistan on the Punjab border,

8. Grain-quality improvement: Before the Green Revolution of the '60s the practice in Punjab was to allow part of the land to "rest" each year; a third of the land was left fallow. This land was also available for grazing and thereby enriched by the manure of cattle, the government of India in collaboration with the American Ford Foundation pushed the green revolution onto Punjab. Punjab lost many of its traditional drought and blight resistant varieties of wheat and gained a strong appetite for chemical fertilizers, pesticides and irrigation water. Other crops such as pulses and oil seed were substantially replaced by water-guzzling paddy. The central government encouraged this by keeping a support price for wheat and rice but none for other crops. This coincided with the diversion of Punjab's river water to Rajasthan.

Higher education and research are strongly dependent on central grants. The center provided research money for high-yielding hybrid varieties but not enough for improving grain quality. Punjab was pushed to become the breadbasket of India and this policy helped so long as international grain prices ruled higher than domestic prices. The increase in domestic production and fall in international prices resulted in greater consumer selectivity in grain purchase. Pricewise, Indian wheat is no longer competitive. It is therefore necessary to increase allocation of funds to projects aimed at improving grain quality and until this is achieved, the MSP must be retained at a remunerative level.

9. Promote industry: In order to convert Punjab into the granary of India, the centre denied heavy industry to the state. The state's vulnerability on account of its location on the border with Pakistan was used to justify this denial. This might have been true decades ago when military technology was primitive, but as both states acquired air capability and missiles, it ceased to be valid. Agro-industry is often held up as ideal for Punjab but even this was not allowed except as very small scale units. Punjab has missed out on value addition for its agricultural produce.

Encourage all industries - especially agro-industry - for Punjab. Agro-industry should be reserved for the agriculturalists of the state. **One way to do this is to follow the pattern of cooperatives. Initial capital for these projects should be loaned at reduced interest as the farming sector has no money to invest. Value-addition needs to be substantially increased.**

10. Grain procurements/storage/transport: The following measures would be cost-effective and would save grain through reduced handling operations.

i) FCI must retain primary responsibility for grain procurement unless states are fully in position to take up the responsibility. Switchover at this stage would result in grain loss and increased distress to farmers.

ii) Let states enjoy the advantage of grain storage. Eighty per cent of the grain should be stored in the producer states and the remainder transferred to scarcity areas. Given modern road transport facilities, grain can be shipped to any part of India within five days.

iii) Let the producer-states have the benefit of transportation for the sake of generating local employment to transportation companies.

11. Education: The areas of Punjab most affected by suicides are also the areas having the lowest literacy rates. Literacy figures for Lehra block are 29 per cent, for Andana block is 28 percent, and Budhlada block is 28 per cent. Low literacy means severely restricted life opportunities. As farming income nosedives, the people of these areas are unequipped to take up any other livelihood except labour. For years, 70 per cent of central grant for education has gone to colleges and universities. It's time to change the policy and turn that 70 per cent grant to primary education. The 2004 Union Budget provided 2 per cent additional cess for education but that is not enough and the funds generated by this cess too are likely to go to higher education rather than where it is most needed.

12. Centralisation of power: The Central government is directly responsible for the pauperization of the rural sector. All the factors cited are beyond the control of the farmers and the state government. As Punjab has the highest involvement in agro activity, it has suffered the most. Vest the state with fiscal powers comparable to their powers in pre-partition era enabling them to take immediate corrective measures.

13. Lack of crop insurance cover: For the past 50 years the government has been promising farmers crop insurance. To date, farmers are vulnerable to all the vagaries of Nature, while industry and commerce enjoy full insurance coverage. Occasionally, the government doles out relief in worst-affected areas as a "favour"; the relief sums are paltry and come nowhere near the actual loss. Most of the time, this relief is merely "announced"; farmers never receive a paisa. For example, last year farmers along the Ghaggar lost their crops due to floods. Relief was announced but as of February 2005 had not come. In mid-February heavy rain destroyed crops on 9,000 hectares; a total of 2.3 per cent of all wheat under cultivation has been badly affected.. Unless farmers get substantial relief immediately, they will suffer grave financial loss and one can expect another spate of suicides.

A viable insurance cover must be provided immediately. Till such time as farmers have insurance, increase ad hoc relief to farmers to Rs. 10,000 per acre for wheat and paddy and disburse it well in time.

14. Abolish caste-based programmes: Small and marginal farmers's income has sunk far below the poverty line and many have lost what little land they had and have become landless. Instead of bringing more and more groups under the category of Scheduled Caste, abolish caste-based assistance and adopt economic status as the criteria for uplift programmes. All poor people, regardless of their caste, deserve such a move.

What must be done immediately:

In 1996 agricultural loans stood at Rs. 5,700 crore. Today it is assessed to be around 25,000 crore. Of this 25,000 crore, about 80% is non-institutional. And 20% (Rs. 5,000 crore) is institutional loan. **It is not asking for too much to bail out the farmers of Punjab who contribute more than 50% of the national grain procurement kitty.** A rejuvenated agriculture sector will generate enough money to repay the nation within a very short time.

Vis-a-vis institutional loans, waive all agricultural institutional loans or impose a five-year repayment moratorium, freezing the interest. Also, Vis a vis non-institutional loan (arhtiyas and money lenders), set up Debt Reconciliation Boards as was done in the ‘thirties in Punjab.

In the beginning of the 20th century Punjab’s agricultural debt problem had become acute. Petty farmers who could not repay their loans lost their land to moneylenders. At that time, the Punjab government set up a number of inquiry commissions and brought a number of laws to save the farmers. As a consequence of these laws, Debt Conciliation Boards were established to bring about amicable settlement between debtors and creditors. Usurious loans were outlawed and so was alienation of agricultural land. The Punjab Government is urged to set up such debt reconciliation boards now to save farmer from dispossession. Let the Board certify the legality of the loan and the rate of interest and insure that the debtors were informed in writing about the status of their loan regularly as required by law and that moneylenders have reported their income from money-lending in their annual Income Tax returns. This will help the farmers as well as the state by unearthing black money.

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