

## Corporatized Agriculture and Social justice: Some Observations

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*“No Society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable<sup>2</sup>”.*

### I. Introduction:

As a welfare State, India is committed to the welfare and development of its people, particularly the vulnerable sections. This section of the society constitutes nearly 85 percent of the population. One of the major reasons for this vulnerability is the poverty. Though the percentage of rural poor, which was 56.44 in 1973-74, has been coming down over the years, but the actual number of the rural poor is still large —about 193 million<sup>3</sup>. One of the striking features of this is that this section of rural poor mostly are involved in farming activities, mostly small and marginal farmers. Unfortunately, for decades the small and marginal farmers dominating the sector are suffering the arbitrary, ruthless market mechanism of agricultural commodities. At this, most of the agriculturists today consider farming as a matter of subsistence<sup>4</sup>. The agricultural sector in India is a neglected sector in India while agriculture provides livelihood to over 60% of the population and more unfortunately, the farming community has the lion's share in the 27% of the people without having basic facilities (access to six amenities,

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2 Prof. Adam Smith, Wealth of Nations, Cosimo INC, 1901.

3 <http://www.indiainsouthafrica.com/overview-india/infrastructure/social-objectives.html> visited on 24<sup>th</sup> November, 2010 at 10.04 PM

4 The farmers are exploited by the hands of the land sharks, fertilizer lobby, insecticide lobby, hoarders and wholesalers, Panchayat and political leaders including agricultural officers, officials of Benfed, Nafed and other agricultural set ups. The malnourished, poverty stricken, emaciated farmers are forced to discard their traditional livelihood for comparatively secure urban destinations and are taking up marginal jobs like tailoring, masonry, painting, welding, soil digging, iron making, erecting mobile towers, wiring electric networks, driving, rickshaw pulling etc. The plight of women is dreadful. They receive a raw deal from the powerful state and private machineries with no one to guard them against unscrupulous traders. For these, driven to despair by a lack of basic infrastructure like power, irrigation and access to markets and for their inability to pay back the loans across the country.

viz. the amount of food they consume, access to facilities like education, health, infrastructure, clean environment and benefits for women and children.)<sup>5</sup>. At this, most of the agriculturists today consider farming as a matter of subsistence. Hence, since 1997 (when figures began to be kept for all states) till 2008 nearly 2 lakhs (199,132 to be exact) farmers have committed suicide<sup>6</sup> and about 8 million farmers have quit farming between 1991 and 2001<sup>7</sup>. Hence, economic disparity in agriculture is clearly noticeable. The economic disparity inevitably creates a sense of social injustice, and an unjust society creating social distrust and dissention is neither stable nor sustainable. Distrust and dissention ultimately lead to civil unrest, which disrupts the economy and ultimately leads to exploitation and destruction of the natural ecosystem. Eastern Europe and Sub-Sahara Africa provide two prime examples of the widespread ecological destruction those results from persistent social injustice<sup>8</sup>.

The agricultural sector in India, suffers from the following defects-

1. **Lack of remunerative prices for their produces:** The farmers due to their lesser bargaining power and the domination of the middlemen are not getting the remunerative prices for their produces.
2. **Non fixation of support price:** There is a huge risk in agriculture. If there is a high yield the farmers do not get proper price, likewise if the production is low, then again there is loss.
3. **High Cost of Production:** The cost of production is increasing while there is no significant increase in the price of the agricultural commodities. The highly perishable nature of the produce along with the lack of storage, grading, packaging, transportation and marketing infrastructures have further added their plight.
4. **Lack of microfinance:** The big farmers are able to get loans from banks, small and marginal farmers still depend on money lenders.
5. **Lack of interest of the educated youth in farming:** Educated youth of the farming families are becoming less interested in agriculture. The farmer parents also do not encourage their children in taking up agriculture as livelihood.

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5 <http://southasia.oneworld.net/todaysheadlines/india-alters-its-definition-of-poverty> visited on 24<sup>th</sup> November, 2010 at 10.10 AM

6 Figures given out by the National Crime Records Bureau (NCRB).

7 <http://csm-fanaa.blogspot.com/2010/08/watched-peepli-live.html> visited on 4<sup>th</sup> May, 2010 at 8.45 PM.

8 John Ikerd, Sustainable Agriculture: A Question of Social Justice, <http://web.missouri.edu/~ikerdj/papers/StanfordJustice.html> visited on 25<sup>th</sup> November, 2010 at 9.24 AM.

India is a welfare state<sup>9</sup>. State to secure a social order for the promotion of welfare of the people<sup>10</sup>. The welfare state involves a direct transfer of funds from the public sector to welfare recipients, but indirectly, the private sector is often contributing those funds via redistributionist taxation; the welfare state has been referred to as a type of “mixed economy”<sup>11</sup>. In the Constitution, the strategies have been outlined for minimizing inequalities in income, status and opportunities. Organization of agriculture and animal husbandry<sup>12</sup>. The task is gigantic for a country with limited resources. Here is the relevance of properly balanced co-ordination of the government and the participation of corporate bodies having a greater sense of Corporate Social Responsibility to ensure the social justice through a sustained agriculture system. Literally, the word ‘*corporate*’ means an entity which is legally united into one body or more commonly large business groups. Corporatisation of agriculture<sup>13</sup> is a very recent phenomenon. Agriculture has been a highly debatable issue in the post liberalisation phase. The Uruguay Round of GATT advocated for the infusion of private foreign corporations into the sector. It is a process of globalising agriculture. Moreover, is it justified to shift all the burdens to the state in the name of social justice in the era of globalization when the corporate bodies are earning huge profit out of the pocket of people at large? India is now considered as one of the top global destinations for the investment in agricultural sector. At this, the corporate bodies having interest to deal with must show due respect to the doctrine of corporate social responsibility and ensure the security to the people depending upon them. The Government of India announced the first National Agricultural Policy on July 28, 2000 which ultimately

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9 A **welfare state** is a concept of government where the state plays a key role in the protection and promotion of the economic and social well-being of its citizens. It is based on the principles of equality of opportunity, equitable distribution of wealth, and public responsibility for those unable to avail themselves of the minimal provisions for a good life. The general term may cover a variety of forms of economic and social organization. There are two main interpretations of the idea of a welfare state: (a) A model in which the state assumes primary responsibility for the welfare of its citizens. This responsibility in theory ought to be comprehensive, because all aspects of welfare are considered and universally applied to citizens as a “right” (b) Welfare state can also mean the creation of a “social safety net” of minimum standards of varying forms of welfare. ([http://en.wikipedia.org/wiki/Welfare\\_state](http://en.wikipedia.org/wiki/Welfare_state). Visited on 24<sup>th</sup> November, 2010 at 9.51 am)

10 Art. 38, the Constitution of India.

11 Ed. Phillip Anthony O’Hara, “Welfare state.” Encyclopedia of Political Economy, Routledge, 1999. p. 1245.

12 Art. 48, the Constitution of India.

13 The various important features of corporatisation of agriculture- (a) Commercialisation of agriculture; (b) Involvement of private investment; (c) Organisational frame work with the homogeneity of activities; (d) Improved Product Quality; (e) Competitiveness in price; (f) Infusion of Modern technologies

suggests the corporate control on agriculture- “*Development of base markets for increasing the size of the holdings and making legal provision for giving private lands on lease for cultivation and agri business.....*” Corporatisation in Agriculture involves a tremendous impact on agriculture as it invites-

**INSTITUTIONAL INVESTMENT:** Corporatisation involves institutional investment. Investment is defined as “a commitment of funds made with the expectation of some positive rate of return<sup>14</sup>”. Each segment of the agriculture sector needs to be made viable indicates sufficient quantum of funds at right time and cost needs to be made available.

**MODERN FARM MANAGEMENT PRACTICES:** Corporatisation definitely invites the latest technological advancements in the field to maximise the profit. It will evolve many long-term benefits: *better allocated efficiency, higher private investment, an increase in output, income and exports, and a higher multiplier effect, leading to the creation of wealth in rural India.* Today, it is a proved that the farmers, be it the small and marginal, can meet the qualitative requirements of market if adequate support in terms of infrastructure and training. Under corporatisation, the relevant corporate body will facilitate farmer’s access to inputs like high-yielding seeds and plant breeds, better quality fertilisers and pesticides. Not only these, the corporate investment will try to raise agricultural productivity by creating critical infrastructures like pre and post harvest treatment in efficient way. Again, it will develop efficient storage and transport infrastructure and thus will cut down waste and remove the specter of distress sales. In addition to these, they will render credit facilities. There will still remain the yield, price and market risks. But the corporate bodies can help in reducing such risks<sup>15</sup>. Since the profit is shared between the farmers and the firm that enters into the contract, profit for the farmer can be maximised through the input saving technologies.

**COMPETITIVENESS:** Corporatisation will result into the competitiveness on point of price. As such, competitiveness on point of price definitely will come from the end of the buying the agriculture- commodities directly from the farmers and at the time of selling the same to the consumers. At this end, multiplicity of the corporate bodies as well as farmer co- operatives will be playing a great role in determining the price of the commodities.

**SUPPLY CHAIN MANAGEMENT:** One of the most important features of corporatisation of agriculture is the supply chain management. Agriculture involves many activities like field activities, marketing of agriculture commodities. Under corporatisation, the relevant corporate body will facilitate farmer’s access

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14 Donald E. Fischer and Ronald J. Jordon: Security Analysis and Portfolio Management; 5<sup>th</sup> ed. Prentice- Hall of India, New Delhi, 1994, pg. 2

15 Dr. Suresh Chandra Babu, Yield, price, risk, limiting factors: The Hindu Survey of Indian Agriculture, 2007 at pg. 14.

to inputs like high-yielding seeds and plant breeds, better quality fertilisers and pesticides. It will develop efficient storage and transport infrastructure, cutting down waste and removing the spectre of distress sales. Most importantly, corporate bodies will force the stake holder's move towards 'quality related pricing'. Beginning with better quality of raw materials, improvements in the supply chain including primary grading; sorting; as also handling or preservation will result. Again, the development of food retailing will inevitably result in the establishment of backward linkages with agriculture and food processing<sup>16</sup>. If the supply chains are so reduced the marketing costs and margins and the farmers are provided with quality inputs, improved technologies, credit, information, and risk mitigating instruments, these will benefit the farmers especially small and marginal holders<sup>17</sup>.

**BETTER PRICE OF COMMODITIES:** On corporatisation the, sector will become an organised sector. The agriculture sectors, being an unorganised one, the farmers are not in a position to make organised claim of their rights and cannot make a move to protect their interests and legitimate dues. Being socially and economically disadvantaged they have poor bargaining power. Corporatisation will regulate through contracts the sale of the commodities at pre-fixed prices, which will offer better protection to the farmers.

**PROTECTION OF THE INTERESTS OF THE FARMERS:** Various labour legislations will be directly enforced in the agro sector if corporatisation of the sector takes place and the farmers will have greater bargaining power and remedy in case of violation of their rights. The corporate body under which the farming activities will be conducted, it will have to satisfy the Triple Test<sup>18</sup> which includes i) systematic activity; ii) relationship of employer and employee and iii) the farmers will have a greater say on the production and distribution of goods.

Corporatisation of agriculture is not an unmixed blessing. The corporatisation of agriculture, which was being pushed as a successor to the Green Revolution of the 1960s and '70s, is leading to new poverty for small farmers, as unequal and unfair contracts lock them into a new form of bondage. Experimentation with corporatisation has taken place in many third world countries. Many of the models have been found to have fallen short of the desired result.

**LIBERALISATION OF AGRICULTURE:** - The corporatisation of agriculture demands the liberalisation of agriculture. Liberalisation of agriculture can be effected by external and internal liberalisation. Fertilizer imports,

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16 Mr. G. Chandrashekar: Profound changes in retail area: The Hindu Survey of Indian Agriculture at pg. 5

17 Dr. Mangala Rai and Dr. A. K. Bawa: Profitability a key determinant: The Hindu survey of Indian Agriculture, 2007; pg. 24.

18 Bangalore Water Supply v. A. Rajappa, AIR 1978 SC 548.

deregulating domestic manufacture and the distribution of fertilisers, removal of subsidies on irrigation, electricity, credits are all the examples of external liberalization which is supposed to provide an enabling environment for transnational agriculture- business corporations to take over the market and pose a threat to the very survival of Indian farmer. Freeing agriculture from external inputs like chemical fertilisers, pesticides, making transition to sustainable agriculture, based on internal inputs for ecological sustainability, are examples of internal liberalisation which has the effect of freeing the farmer from debt traps and fear of dispossession. It means freeing the peasant from landlessness, ensuring inalienable and equitable water rights and holding on to local means of production<sup>19</sup>.

**LANDLORDISM:** - The Corporate farming in its complete sense of the term suffers from all the defects associated with Landlordism.<sup>20</sup> Under this system the production is carried on with the help of the workers who are hired and with the extensive use of mechanisation. The capitalist or the corporate personnel appointed by them take all related decisions in relation to production while the workers have no role to play in the control and the management of the farm e.g. the system of farming of tea, coffee, rubber and sugarcane in India.

**FARMERS AT THE MERCY OF THE CORPORATE HOUSES:** - in corporatized agriculture the farmers are placed at the mercy of the corporate bodies employing them. Farmers in the Indian state of Punjab contracted by Pepsico to grow tomatoes received only 0.75 rupees per kilo, while the market price was 2.00 rupees. First the farmers rejected Pepsico and now Pepsico has abandoned Punjab, selling its tomato processing plant to a subsidiary of Levers.<sup>21</sup> But this picture is slowly changing.

**PROFITABILITY AS PRIORITY CONCERN:** - The single pointed agenda on profitability leads to the increased and indiscriminate use of chemicals, not only through the traditional methods, but also through genetic engineering, it promotes the undermining of water and soil fertility and damage biodiversity. Not only this, a centralized, chemical intensive, industry oriented production and distribution system linked with green revolution model is undemocratic, wasteful, and unsustainable and puts profitability above everything else. The emphasis is on trade rather than sustainable means of domestic production.

**ISSUES OF FOOD SECURITY:** - Food security is another grey area of concern under this system. If the corporatisation is not properly regulated, i.e. private corporate bodies are not controlled involved in this sector, then the private

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19 Vandana Shiva: The Threat of Globalisation of Agriculture; Available online: Micheal P, papadop@peak.org dt. 26<sup>th</sup> Aug, 1997.

20 Prof. Gangotri Chakraborty, Land Reforms and Corporatisation of Agriculture: NUJS 2006; at pg. 15

21 Vandana Shiva, Threats of globalisation of agriculture: 26<sup>th</sup> August 2002. available at <http://www.hartford-hwp.com/archives/25a/007.html> visited on 3<sup>rd</sup> March, 2006 at 3.05 P.M.

corporate bodies to maximise profit will not pay due attention in protecting the interests of the common people. Corporatisation and privatization, has been proved to be a failure in a number of occasions<sup>22</sup>.

**FARMERS WILL BE EMPLOYEES AND NOT ENTREPRENEURS:**

- Indian agricultural sector is characterized by the involvement of nearly 60% of the people. If this sector is corporatised and privatized, the farmers will be under direct or indirect employment of the corporate concern and will become liable to lose their jobs for various reasons. The result will add to the burden of unemployment in the country, poverty will increase and the farmers will lose their moorings. It is also not certain that a fair and equitable profit sharing will take place

**PROFITEERING WITHOUT SOCIAL SECURITY DRAGNET: -**

Profit making motive of the corporate houses will lead to a situation where it will supersede social security, social justice and several other interests of the farming class.

**LACK OF TRANSPARENCY:** When a corporate body has inequitable policy or plan and is contractually obliged to follow the same the content of the contract is never made public.

Any system of food and farming that fails to meet the needs of a society, will not be sustained by that society, no matter how ecologically benign or profitable it may appear to be. A society has physical and material needs, however, one of the most basic needs of any society is a sense of social equity or justice. Any food and farming system that is not socially just does not meet this basic need, and thus, is not sustainable<sup>23</sup>. Hence, to protect the interests of farmers, the Government has promoted organized marketing of agricultural commodities through a network of regulated markets. However, studies indicate that the intuitions of regulated market have achieved limited success, as these markets restricted development of direct and free marketing, smooth raw material supplied to agro-processors, information exchange and adoption of innovative marketing systems and technologies. Thus, the issue of corporatisation of agriculture should be so designed, under which, the Government should hold majority of the share after forming a Corporate Body and involve the persons interested to cultivate vested land among whom the people with patta will get priority. Attention should be given to the small and marginal farmers and gradually, the entire farming community

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22 Concentration therefore, should be on the internal liberalisation of agriculture, which is more democratic and sustainable if a small farmer centred agricultural system is encouraged; it will mean localization of agriculture. This will involve a shift from external inputs to internal inputs and rebuild local food security and thereby national food security. Inevitably there will be a shift from monoculture to crop diversity.

23 John Ikerd, Sustainable Agriculture: A Question of Social Justice, <http://web.missouri.edu/~ikerdj/papers/StanfordJustice.html> visited on 25<sup>th</sup> November, 2010 at 9.24 am.

may be brought under the umbrella of such corporate bodies. The Government may:

- a. Frame its own policy;
- b. Control the supply of seeds and other necessities like water, manures, equipments with proper testing and the arrangement of training the people with modern techniques of cultivation<sup>24</sup> wherever necessary;
- c. Can facilitate credits<sup>25</sup>;
- d. Can initiate direct purchasing of raw agricultural commodities at a price fixed by the experts duly sending the same in the form of short messaging service in local languages through the mobile service providers or displaying the same at convenient places in the open market through the State run Agricultural Commodities Marketing Board/ or formed Corporate Body<sup>26</sup> and supply the same to the purchasers, be it big private investors (Corporate Bodies) or Retailers in the open market;
- e. Can monitor the storage, grading and packaging;
- f. Can regulate the price of the commodities;
- g. Control the payment by the way of cash or kind to the labour and;
- h. Can regulate the supply of the crops through Public Distribution System;
- i. Provide the existing logistic and administrative support;
- j. Regulate; extend and collaborate with the private players for providing seed insurance, ('Pilot Scheme on Seed Crop Insurance'); crop insurance ('*Rashtriya Krishi Bima Yojana*'; '*Varsha Bima*' etc.), health insurance ('*Krishi Shramik Suraksha Yojana*') for the farmers, so that the government can render reasonable benefits to the marginal and small farmers.
- k. Regulate, extend and collaborate with the private players for providing insurance facilities e.g. life insurance, ('*Aam Aadmi Bima*

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24 In this regard the School of Agriculture at the *Indira Gandhi National Open University* is developing e- tools in agricultural extension and education which is expected to fill the knowledge gap among the researchers, professionals and small farmers through *national community of agricultural educators and researchers* regarding integrated pest management, integrated nutrient management and post harvest value addition. This project aims at helping farmers to grow more crops and reduce stress on environment. (Reported in *The Hindu*: 8<sup>th</sup> October, 2009 at pg. 03.)

25 In China, there's 0% credit is given to the farmers (the statement of Prof. M.S. Swaminathan recorded by Nirendra Dev and published in the *Statesman* on 8<sup>th</sup> August, 2009 at pg. 05.)

26 In this regard the strategy laid down under the WB Land Reforms Act, 1955 under the provisions of Share of Produce u/ Sec. 16 of the Act by a bargadar may be followed.



*Yojna*”) pension above the age of 60 years and Provident Fund<sup>27</sup> and medical facilities including insurance (Rashtriya Swastha Bima Yojna for the BPL families) for the farmers.

1. Link the local bodies to render various social services in agriculture under various schemes like- *National Rural Guarantee Schemes, National Rural Health Mission; Sajal Dhara; Sarva Siksha Mission; Indira Abas Yojna* etc.

The private investors may be involved in the following:

- i.** Consultancy,
- ii.** Technological inputs, technical assistances and other necessary technical information like information on weather<sup>28</sup>,
- iii.** Integrated farm management practices like treatment of soil, infusion of modern tillage practices, efficient water and pest management, practical training to the farmers, monitoring of farm practices,
- iv.** Grading,
- v.** Processing,
- vi.** Packaging,
- vii.** Storage,
- viii.** Transportation,
- ix.** Distribution and
- x.** Marketing of such commodities

In addition to this, the Government should appoint the Agricultural Labour Inspector at Block- Panchayat level to monitor the followings-

1. the conditions of work and protection of workers while engaged in their work, such as working hours, weekly rest, safety, health and welfare,
2. to practice agricultural democracy<sup>29</sup>;
3. The employment of women, children and young persons and other connected matters and the treatment of them. The Minimum Age Convention 1973 adopted at the General Conference of ILO especially the Labour Inspection (Agriculture) Convention, 1969. may be considered as a guiding principle,

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27 West Bengal is the first state of India which introduced the Provident Fund Scheme on 1<sup>st</sup> April, 1998 for the Landless labourers.

28 Recently the Indian Agricultural Research Institute (IARI), in collaboration with the Department of Science and Technology (DST) has turned to NGOs to reach their technologies to farmers. Reported in *The Hindu*: 19<sup>th</sup> October, 2009 at pg, 3

29 The issue of agrarian democracy must promote- (a) Peasant participation; (b) Peasant's ownership over land, machinery and equipments; (c) Healthy competition among farmers; (d) Consumer co-operatives; (e) Women's share in reconstruction; (f) Increased acceptance of responsibilities; (g) Social security through insurance; (h) Education in the new order.

In order to achieve more success under this plan the following steps may be taken-

1. Compulsory registration of the names of the small and marginal farmers, agricultural labourers and patta holders involved in agricultural works with the local panchayats.
2. Priority of the local people in the process of procurement, transportation, grading, processing, packaging.
3. Procurement of crops should be done in presence of the Officials of the Revenue Department and Department of Agriculture who will be responsible for fixing the price of such commodities centrally and uniformly in the state.
4. Report of such dealings should be directly sent to the District Officials on daily basis.
5. Establishment of rural BPO centres and introduction of the E- Auction to establish contact with the companies involved in the trading outside instead of selling locally when the local market has fallen and the farmers are supposed to suffer loss.
6. Again, the Punjab model of setting up of Agri Food Biotechnology Park (Agri Food Cluster) may be a good step<sup>30</sup>.
7. Looking at the State's future demand of cereal, vegetables and cash crops, identification of fallow and degraded land should be converted for cultivation purposes as soon as possible.

Agriculture is not just the food producing machine it is the main source of livelihoods of the nation and as such an instrument for eradication of poverty. Thus in order to lower the pressure on agriculture the experts are of the opinion that livelihood of people should be raised through an increment of per capita income; creating safety nets for the agriculturists for protection lesser return from agricultural commodities, lack of proper marketing, storage of commodities, unpredictable climatic conditions etc. Secondary and tertiary sectors employment should be generated raise income. This proposed model of corporatisation suggests that for the purpose of agriculture, land must be avoided from being corporatised but must be consolidated and must be used for as much as possible multi cropping purposes. Finally, necessary amendments should be brought on the relevant laws e.g. the Factories Act, 1948; the Maternity Benefit Act, 1961; the Equal remuneration Act, 1976; the Employees State Insurance Act, 1948; the Workmen Compensation Act, 1923. Further, It is important to introduce agricultural tribunal to address the conflicts arising in the inter- relationships between the farmers as well as the other interests groups for smooth enforcement of the relevant laws on this point.

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30 Reported in The Times of India: 16<sup>th</sup> March, 2009 at pg. 06.