

IOWA IS NOT FAR FROM TELENGANA¹

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A tragic paradox stalks Shining India and Resplendent America: nutrition rates decline, hunger increases, farmers commit suicide, and yet the Indian state hoards surplus food grains. In the United States, suicide rates in the states with the largest farm populations rose dramatically in the last two decades, at the same time as U.S. farm profits rose skywards. How can this be?

Two words explain why the U.S. farm state of Iowa is not far from the Indian region of Telengana: tariffs and subsidies.

Many of the crops grown by Indian farmers and farm workers come to a marketplace where the prices for these crops are undermined by the U.S.-based agro-businesses and the subsidies they enjoy. Take the case of “King Cotton.” Between 1999 and 2002, the U.S. agro-business share of the world cotton market grew to 40% from 25%. This was almost entirely due to the \$12.9 billion subsidy paid by the U.S. tax-payer to the cotton industry. In the same period India’s imports of cotton grew by almost 29%, while India’s production of cotton has fallen. The U.S. cotton crop, meanwhile, has grown to its largest amount since 1927. The loss to Indian farmers from U.S. subsidies is calculated to be about \$1.3 billion (in 2001). U.S. cotton giants would not remain competitive without the subsidy, and according to the World Bank, less than a tenth of the farmers would remain in business.

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Faced with the overwhelming subsidy-tariff regime in the U.S., there is a temptation to believe that all farmers benefit from it. This is an error. Since the 1980s, the small farmers and farm workers in the U.S. have lost their lands and livelihoods to banks and agro-businesses - while industrial science (expensive fertilizers and genetically modified crops) as well as subsidies and tariff supports expanded the

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power of agro-businesses. ConAgra, Monsanto, and Cargill, among others, now dominate a system that might as well be called a “military-industrial-agricultural complex.” Cargill is the largest private corporation in the U.S., with net earnings in 2003 of \$1.3 billion. At the 1996 World Food Conference, Cargill lobbied the U.S. government to oppose the statement that food is a human right: the only human right for Cargill is to turn a profit. Among its victims are the U.S. small farmers and farm workers.

Apart from subsidies, agriculture in countries like India is additionally under pressure from trade restrictions and tariffs employed by advanced industrial states. In 2003, the World Bank reported that the average tariffs on agricultural as opposed to industrial goods are almost five times higher in the U.S. and the European Union. Tariffs on products like sugar and beef as well as on processed fruit and dairy produce often exceed 100%. High tariff barriers prevent farmers in India from access to markets in the U.S. and the EU. The escalating tariffs (higher on finished than raw produce) ensure that the farmers in India remain in low value-added segments of agriculture, such as unprocessed produce.

By the calculated suffocation of agricultural exports, the tariff-subsidy regime prevents states like India from maintaining healthy and stable foreign exchange reserves. We present a brief analysis of how globalization exacerbates rural distress and then we offer some needed alternatives to refashion public policy in the interest of those who work the soil.

Globalization and Rural Distress

In rural India, people buy their food either on the open market or through the public distribution system (PDS). Their ability to acquire food, then, depends both on their incomes and their access to the PDS. Both of these avenues are now under stress. The average nutrition level in rural India has fallen from 2,221 kcal (1983) to 2,153 kcal (1994). The average per-capita availability of food grains has also fallen from 470.52 grams/day (1982-1991) to 465 grams/day (1992-2001). According to the Food and Agriculture Organization of the United Nations (FAO) report on the *State of Food Insecurity*, India’s hungry population increased by nineteen million from 1998 to 2002. The rural poor, those who work the land, are not eating.

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The rural poor comprise mainly small, marginal farmers or landless laborers. The income of the small and marginal farmers has come under stress due to the decline in prices for their crops, an increase

in costs of agricultural inputs, and in some years, adverse weather. The income of the landless laborers has suffered due to the poor performance of the agricultural sector, with the concomitant decline in wage labor. The economic distress of these two sets of people is evident from a look at the performance of the agricultural sector. Agricultural growth has been erratic since the liberalization of agriculture. In 2002-03, the growth rate is -3.1%. Rural unemployment has risen from 5.61% in 1993-94 to 7.21% in 1999-2000. Investment in agriculture, notably public investment, has become almost stagnant.

The rural distress can be explained by at least two factors:

(i) Price Controls There, Freedom to Starve Here

Many of the crops grown by Indian farmers come to a market place where the prices for these crops are undermined by the agro-businesses and the subsidies they enjoy in their home countries. As mentioned above, between 1999 and 2002, the U.S. agro-business share of the world cotton market grew to 40% from 25%. This was entirely because of the \$12.9 billion subsidy paid by the U.S. taxpayer to the cotton industry. In the same period, India's imports of cotton grew by almost 29%, while India's production of cotton has fallen. The U.S. cotton crop, meanwhile, has grown to its largest amount since 1927. An enormous impact is on West and Central Africa, where farmers would stand to gain at least \$250 million if the U.S. stopped its subsidy. The loss to Indian farmers from U.S. subsidies is calculated to be about \$1.3 billion (in 2001). U.S. cotton farmers would not remain competitive without the subsidy, and according to the World Bank, less than a tenth of the farmers would remain in business.

Apart from subsidies, agriculture in the Third World is additionally under pressure from trade restrictions and tariffs employed by the advanced industrial states. As mentioned earlier, in 2003, the World Bank reported that the average tariffs on agricultural as opposed to industrial goods are almost five times higher in the U.S. and European Union. Tariffs on products like sugar and beef as well as on processed fruit and dairy produce often exceed 100%. The tariff structure is "escalating," or it increases for processed goods as opposed to raw materials. For example, a Latin American farmer who wants to export tomato sauce would have to pay six times as much tariff as compared to what one would have to pay if one exported raw tomatoes. High tariff barriers prevent farmers in the Third World from having access to markets in the G-8 states. These escalating tariffs ensure that the G-77 farmers remain in low value-added segments of agriculture, in the main, unprocessed produce.

The subsidy-tariff regime ensures that Third World farmers suffer in their domestic markets as they are excluded from the G-8 markets. By this calculated suffocation of agricultural exports, the subsidy-tariff regime prevents the Third World states from maintaining healthy and stable foreign exchange reserves.

(ii) Micro-Credit, Macro-Headache

The policies adopted by the Indian government in 1991 (supported by the International Monetary Fund) have resulted in an increase in the input costs of agricultural production - power, fertilizers and other such high-value items can break the farm. The change of agricultural credit policy has squeezed the ability of the small farmer to afford these inputs, and therefore has benefited the large agro-businesses whose access to credit leaves them invulnerable. The new credit measures, as two leading economists point out, “were not attempts to bring rural banking closer to the poor, but to throw the entire structure of social and developmental banking overboard.” From 1990-1997, loan accounts to agriculture fell by five million and the proportion of bank credit to agriculture in rural areas fell from 52% (1985) to 38% (1998). The worst hit are the marginal farmers who have less than 2.5 acres. While they account for 72% of rural households, their share of agricultural credit has declined from 30% (1990-91) to 24% (1996-97). Larger farmers, on the other hand, now benefit from the credit disbursement. The marginal farmers and landless laborers need credit not only to tide their farms over when there is no income (between harvests), but also for household expenditures. The lack of institutional credit has increased dependence of the small farmers and landless laborers on the moneylender. High interest rates are the bane of rural India, and many of those who have committed suicide did so to relieve their families of the endless cycle of debt.

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Alternatives to Neo-Liberal Globalization

Faced with the enormity of the rural crisis, the reaction from the well-heeled is often to blame local officials for their disregard, a position on which journalist P. Sainath is trenchant,

“Beating up on a district collector and other more lowly officials may serve the demands of drawing room outrage. It doesn’t begin to gauge the crisis Indian agriculture and those dependent on it find themselves in. For a decade now, the launch of harsh anti-poor policies has driven that crisis. But the media cry -- with fine but rare exceptions -- remains the same: It’s a failure in implementation. Reality: it’s the policy, stupid, not the implementation. All an officer

has to do to be true in implementation now is to do nothing. That is the policy: the stopping of rural credit, the dismantling of the public distribution system (PDS). Gutting what remains of the public health system. Withdrawing the state from basic services.”

In other words, the reason for the crisis is in the policy followed by the Indian government -- a local variant of the international policy to privatize the commons and provide corporations with a free lunch.

To justify the attack on the welfare system, some of the well heeled make the argument that “you can't make an omelet without breaking a few eggs.” After a decade of agricultural neoliberalism in India, one is tempted to say, “I see the broken eggs, but where is the omelet?”

Below, we offer seven separate policy suggestions. These are ideas we have culled from the remarkable intellectual and activist dialogue that is ongoing within India. We invite the reader to engage in such a dialogue within the U.S. press and with farm worker and small farmer groups in the U.S. (such as the United Farm Workers). The illiteracy about global agricultural policy and of this recent assault on the life world of the farmer requires remedy. We hope that this article has been useful as a spur to action. Here, then, are the seven suggestions:

- (1) *Reduce Subsidies and Tariffs in the advanced industrial states.* One approach is to unmask the hypocritical subsidy regime within the European Union, the U.S. and Japan that enables global agribusinesses to thrive at the expense of the small farmers and farm workers. We need to demand an end to the subsidy regime that leads to the misery of our rural world. Similarly, we demand a reduction of tariffs in the advanced industrial states, so that Third World farmers can access these markets. Not only does a reduced tariff policy help the livelihood of the Third World rural poor, but it also allows Third World states to maintain stable foreign exchange reserves.
- (2) *Harness Agricultural Policy for People Not Profits.* To argue for a symmetrical tariff-subsidy reduction around the world fails to see how the tariff-subsidy regime that used to operate in the Third World worked. While the tariff-subsidy regime in the G-8 is designed to promote the profit sector within agriculture, the tariff-subsidy regime in the Third World, in general, worked to develop the food security of regions. In light of a lack of a social security net in India coupled with the other structural problems that continue to plague the Indian economy, we feel that it is necessary to protect the operation of the Indian small farmer

from the depredations of corporate agriculture. In that regard, we reject the assumption that all tariffs and subsidies are bad, and argue that it is not the tariff-subsidy that is itself good or bad, but the use to which it is put.

- (3) *Better PDS.* Food is a basic need. The signatories to the 1948 Universal Declaration of Human Rights agreed to the “right to adequate standard of living,” which in the 1966 International Covenant on Economic, Social and Cultural Rights was elaborated to mean, “an equitable distribution of world food supplies in relation to need.” In the 1974 Universal Declaration on the Eradication of Hunger and Malnutrition, the world community agreed that, “Every man, woman and child has an inalienable right to be free from hunger and malnutrition.” The PDS is a right and we must demand the creation of a just system that ensures that people have access to food, regardless of the magic of the “poverty line.”
- (4) *Land Reform.* Studies show that small farms are far more productive than big farms, that if those who work the soil also control it, then they are able to earn more income and make the land more productive for the long-term. We believe that land reform is a long-term solution to the problems of hunger, under-nutrition and poverty. Apart from increasing efficiency by decreasing farm size, land reforms, by improving nutrition, and improving the farmers’ ability to work, go a long way toward addressing the problems of productivity in agriculture. South Korea, Taiwan and China witnessed high growth rates and rapid development on the foundation of land reforms. Land reform has disappeared from the agenda of the Indian state, although proposals like “land rental markets” are being floated based on new initiatives by the World Bank. Based on the experience of West Bengal, Kerala, South Korea, Taiwan and China, we also believe that such proposals for land rental markets are no substitute for a full-scale land reform agenda conducted by the state. We need to join hands with the agricultural and left organizations in India that are committed to land reform, that continue to demand that people have the means to live with dignity, and not just wait for hand-outs from a miserly and pompous state.
- (5) *Revamp Institutional Credit.* We believe that the provision of credit is crucial for the food security of the rural poor -- the landless laborers, the marginal farmers and the small farmers. Before the structural adjustment of Indian agriculture, institutional credit schemes existed with many problems -- high transaction costs, low recovery rates and less desirable access of the funds to the rural poor. Instead of this, we have entered the world of micro-credit. By its very nature microcredit cannot address the major

credit problems in the rural sector. In the Indian context, it is fair to say that so far microcredit has not proved to be a viable alternative to institutional credit in such important areas as technology adoption, irrigation and long-term investments. We suggest that the focus should be shifted back to the delivery of institutional credit in a revamped scheme. We believe that the transformation of rural credit can only be successful and effective if it is carried out in conjunction with a program of land reform.

- (6) *Necessity for Rural Women's Rights.* The weight of neoliberal policies has fallen heavily on rural women in the Third World - many of whom have had to use creative strategies to feed their families at the same time as agricultural work has been taken away from them. Forced out of daily labor, many rural women farm workers are without income and as the PDS ends, they are now also without food. At an April 24, 2003 All-India Women's Democratic Association convention on food security and employment, this large organization argued that food security, employment and political participation are interlinked, that without the one, it is infeasible to fight for the other. AIDWA member Gomti Sakhya described the atrocious living and political conditions for women in Rajasthan, notably the end to food security. Women from thirty two villages organized themselves and picketed the District Collector's office to demand food grains. As the local politicians controlled the food grains, the women demanded grains and political power. As Sakhya put the case to the convention, she ended with a question and a solution: "What kind of life do we lead, sisters, without food, without water? The only way out is struggle." We support such struggles that make the intrinsic linkage between women's rights and food security.
- (7) *Limits of Public Action.* The Nobel Laureate Amartya Sen and his long-time collaborator Jean Dreze have made a crucial intervention as critics of the current economic reforms. They advocate redistributive policies and an enhanced role for the state, especially in the key areas of health and education. Sen and Dreze have done more than anyone else to highlight the problem of food insecurity, hunger and starvation in India. They have offered a very strong rebuke of the current global inequalities and they see global solidarity as one way forward. We are in agreement with their criticisms. On the issue of asset redistribution, especially land reform, we are not as optimistic as them about the effect that public action can have on the creation of policy for a state dominated by the powerful. If a relatively more progressive state in the initial decades of independence did not carry out land reform, it is unlikely that the current right-wing

state will do so. We are skeptical that a state that is fully committed to the current neoliberal economic policies will engage in redistributive policies. Therefore, we advocate the political fight for a change of government² as the precondition for the creation of genuine food security in India.

Indian small farmers and farm workers have been doubly squeezed: they face a revenue decline due to the collapse in world agricultural prices and escalation of costs due to the reduction of government support. They survive by their own sacrifices. Women in these communities courageously hold up more than half the sky. With less work, with little subsidized grain, with insecurity similar to that faced by small farmers and farm workers in the U.S., the Indian farmers and farm workers' existence is precarious in this large corner of Shining India.



1. In early January, the Working Group released a report entitled *Iowa is not far from Telengana: Some Arguments for Food Security in India*. This article draws freely from that report.
2. In the May 2004 elections, the BJP government of India was defeated in a stunning upset. The rural and farm vote was a key factor in these results.