FOOD CRISIS IN INDIA — CAUSES & CURE

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"Free Enterprise was born with man and shall survive as long as man survives."

—**A. D. Shroff**

1899-1965

Founder-President

Forum of Free Enterprise

INTRODUCTION

There is growing realisation in the country that unless we solve the food crisis first on a permanent basis, there can be no hope of a better life for millions, nor economic development of an enduring nature. The authors of two articles in this publication have analysed the basic causes of India's food crisis and made concrete suggestions to solve it.

The crisis is primarily one of production and not of distribution. Because of inadequate production, shortages develop and they are aggravated in the distribution set-up. Deficit financing, i.e., creation of moneys beyond the requirements of the economy, give a further push to food prices and accentuate the crisis.

The crisis of production has arisen because agriculture has not been treated as the basic asset which it is and as an industry. Sufficient investment has not been made into this sector as scarce resources have been diverted to heavy industries. Food zones, monopoly procurement and other state interventionist measures of a wrong type have added to the distortions.

This booklet contains two articles, one by Prof. B. R. Shenoy, eminent economist who is presently Director of Economics Research Centre, New Delhi, and another by Mr. M. A. Sreenivasan, a former Agriculture Minister of Mysore, who is associated with plantation industry over the years.

It is hoped that this little publication will focus public attention on basic issues.

FOOD CRISIS IN INDIA — CAUSES & CURE

By

Prof. B. R. Shenoy*

We are a nation of farmers, as U.S.A. was before World War II. About 70 per cent of the workers and people of India draw their living from agriculture and nearly 50 per cent of the national product constitutes agricultural output. U.S.A. grew to be the greatest super-power of the world economically through first developing its main industry, namely, agriculture, cattle wealth and allied trades. It built its industries, both light and heavy, on a strong agricultural foundation. Economics being the heart of politics, U.S.A., simultaneously, grew to be a political super-power.

We too can do the same, perhaps faster than U.S.A., as we constitute about one-fifth of the entire mankind, but only if we first build a secure, sound and vigorous agricultural base, on which the whole economy rests today. We cannot achieve internal and external economic viability if we neglect agriculture. With this viability is linked up not only domestic political stability but also our international political stature.

Development of agriculture is necessary not for political reasons alone. It is also the best means of rapid economic development.

Expert studies have shown that, in India, an investment of Rs. 1 crore of capital in agriculture adds to output Rs. 57 to Rs. 69 lakhs annually, in iron and steel Rs. 19 lakhs and in textiles Rs. 36 lakhs. The inference is that Indian economic development would take place several times faster than

* From the inaugural address to the Farmers' Federation of India convention at Pathankot on 20th December 1974.

has been the case if only we reversed the order of priorities in our investment policies, i.e., gave high preference to agriculture in place of a wholly uneconomic accent on industry, at the expense of agriculture.

Nor is it a matter of production alone. Agriculture would liquidate unemployment at a much faster pace than the same investment anywhere else in the economy. It has been estimated that an investment of Rs. 1 crore in heavy industry—i.e. industries producing machines—would provide employment for 500 persons; for 1,150 persons in large-scale industries producing consumer goods; and for 4,000 persons if invested in agriculture.

The most important problem of the Indian economy being poverty and unemployment, it follows that Indian national interests would be best served if we give priority attention to agriculture. And yet, since Independence, the accent has been on excessive development of industry, which *ipso facto*, has involved stepmotherly treatment of agriculture. We appropriate over 65 per cent of the total investment resources for the public sector, though this sector accounts for but 3.5 to 6.3 per cent of the national product. The private sector, i.e., the rest of the economy, which accounts for about 87 to 92 per cent of the national product, receives the remaining 35 per cent. As the industrial part of the private sector gets preferential resource allocations, agriculture has somehow to manage with the leftovers. This seems incredible. But we have been pursuing this strange investment policy for over two decades. Most of our major economic ailments have their roots in this mal-allocation of our resources.

The resulting capital starvation of agriculture is the crux of the problem of the low overall productivity of agriculture and of our failure to achieve food self-sufficiency, despite the impressive array of the high yielding varieties of seeds, which our scientists have evolved, and the vast progress we have made in agricultural technology.

The evidence of the capital starvation of agriculture is first, in the two surveys—the *Rural Credit Survey, 1951-52* *and the Rural Debt and Investment Survey, 1961-62*—conducted by the Reserve Bank of India, which bring out the capital decay in the farm sector during the intervening decade; and, secondly, in the steep rise in the interest rates in those sectors of the national money markets—the State Bank of India Hundi rate and the Bazar bill rate—which are relevant to farm finance. But the most conclusive evidence of the capital starvation of agriculture is in the rate of increase in the *per capita* investment (input) in farming. This rate dwindled from 1.7 per cent per year, during the decade ending 1961, to 0.3 per cent per year, during the subsequent period, 1961-72. Reduced inputs led to a contrast between the *per capita* agricultural outputs of the two periods. During the former, ths output rose at an annual rate of 0.8 per cent: during the latter, it declined, instead of rising, and at an equal rate.

Replying to a discussion on the food situation, in the Rajya Sabha, on 26th November 1974, the Food Minister, Mr. Jagjivan Ram, is reported to have assured the House that adequate agricultural credit would be available from the nationalised banks, with which the matter had been taken up by the Government. But more loans to agriculture by commercial banks cannot correct the overall capital starvation of agriculture. This is so because the loans advanced by these banks in the rural sector are far less than the deposits they collect. As of June 1972, the deposits of rural branches of commercial banks amounted to Rs. 459 crores. But their advances were no more than Rs. 191 crores. The excess deposits were transferred to urban areas. Since the nationalization of commercial banks, and as of the end of June 1974, the number of bank offices in the rural sector has more than trebled to 6,175. These offices, instead of being so many taps pouring credit into the market for farm loans—as imagined by the public—are really so many suction pumps drawing rural savings away from the rural sector into the urban areas for the finance of manufacturing industries and allied trades. Strange as it may seem, commercial banks add to the financial stringency of the farm sector.

Nor can increased loans by the co-operatives and by other government agencies which account for but about 18 per cent of the total borrowings of farmers correct this overall capital starvation. Both categories of loans, no doubt, add to the flow of funds into the market for farm credit. But when this is adjusted for the drain of funds by commercial banks and certain other debits, the net inflow of capital into the market for farm finance seems doubtful.

In any case, in the context of the prevailing overall pattern of resource allocations, capital starvation of agriculture is but simple arithmetic. Once 65 per cent of the total resources are drawn into the public sector and manufacturing industry receives pampered attention, agriculture can have but the balance and this would necessarily be short of its legitimate share. If co-operatives and the other Government agencies are pressurised into giving more farm loans than before, other agencies distributing farm credit would find that they have correspondingly less credit for disposal. Total credit and capital flowing into the market for farm loans would be no more than that allotted in the overall schedule of resource allocations.

It follows, that there can be no remedy to the capital starvation of agriculture other than a drastic scaling down of, first and foremost, the public sector outlays and, secondly, of the investments in industry. This alone can release sufficient credit and capital for financing the much needed expansion of capital formation, and the productive activity of farms. No other reform can be of any avail in the absence of this basic measure.

The chaos on the food front and the famine-like conditions in many parts of the country has caused renewed public interest in the state of the agricultural industry.

The situation is most weird in certain important respects. Since 1956, we have been witness to the strange spectacle of the world's most highly industrialised nation, U.S.A., feeding a dominantly agricultural nation, India. To let statistics tell the story, 7.5 in every 10 hectares of India's sown area is under foodgrains; roughly 53 per cent of the national labour force produces food; our food deficit represents but 3-5 per cent of domestic production; and modern technology can multiply food output by several times the national average yield, in the case of rice and wheat—which account for about 72 per cent of the total consumption of cereals—by no less than 7 to 12 times.

Yet, not withstanding the perpetual grow more food campaigns, food output has persisted tantalizingly below domestic needs throughout the post-Independence period, except in 1971; and as much as 67 per cent of the foodgrains issued by the public distribution system represented imports. To enhance this oddity, over 83 per cent of the imports were financed by soft loans—75 per cent at record concessional terms, under PL 480—or were gifts. Worse still, 67 per cent of the PL 480 loans, the money counterpart of the food we ate were written off, by negotiation, last February, as they were deemed to be, to quote the Finance Minister's Lok Sabha statement, a "long-standing irritant" which "stood in the way of healthy economic relations between the two countries."

Thus, our rationed population (about 412 million) was, in effect, fed to a large extent by the world's charity, mostly U.S. charity.

Being sensitive to the absurdity of a nation of farmers living on imported food, Pandit Nehru exhorted the country, in 1948, to strive for food self-sufficiency by 1951. Nothing positive ensued from it. On the contrary, we had to borrow $ 190 million from U.S.A. to import 2 million tonnes of wheat in 1951, the target year, to tide over a crisis. Two decades after this infructuous exhortation, the Prime Minister, Mrs. Indira Gandhi, announced to a mammoth audience on Ramlila Grounds, New Delhi, on 30 January 1967, that Government had adopted, earlier in the month, a crash programme for food self-sufficiency by 1971.

Though crash programmes in India have a habit of crashing before take-off, the Ramlila Grounds announcement seemed different. The output of wheat galloped at over 30 per cent annually; and of foodgrains at 10 per cent, to a peak of 108.4 million tonnes in 1971. Simultaneously, Government stocks piled up to a record 8.14 million tonnes; and, for the first time in two decades, domestic output exceeded, in 1971, market needs, though only nominally.

These developments misled the Government into thinking that we have achieved the takeoff stage—the stage of self-reliance—in respect of food. So convinced were we all of this that we stopped, in January 1972, all PL 480 and other concessional imports; surrendered to the U.S. Government the balance of 438,000 tonnes of PL 480 foodgrains to which we were entitled; decided to forego even commercial imports; and permitted the export of 14,300 tonnes of *Basmati* rice. But none of the developments, which had led to this fateful decision to forego concessional imports, was any indication of a fundamental improvement in the food economy of the country. First, virtually all government stocks represented imports, not domestic production. Government had only piled up American wheat. These stocks were no more than a case of PL 480 foodgrains being transferred from U.S. elevators to the Indian officials godowns, which is no evidence of an improvement in India's food economy. Secondly, the acceleration of the output was highly vulnerable, as it rested on the break-through in but one crop, wheat —the minor of the two major cereals—and on an unusual (and hence undependable) succession of favourable weather conditions. The increase in the production of wheat, moreover, was made possible not by any net increase in agricultural investments but by a shift of capital from other crops into wheat.

The basic weakness of the food situation, however, surfaced in a matter of months. Food production declined in 1972 by 3.3 million tonnes. This, together with an emergency export of 909,000 tonnes food to Bangladesh, drove up our food deficit. No other way being now open, this deficit was covered by drawing down reserves, which as a result fell during the year by 4.7 million tonnes. Seeing these reserves disappear rapidly, the Administration apprehended, to quote the *Annual Report for 1972-73* of the Union Department of Food, the "possibility of a breakdown of the public distribution system." To avert this bizarre predicament, so soon after the announcement of self-sufficiency, the decision to stop commercial imports was abandoned and orders were placed for two million tonnes of foodgrains "to replenish the buffer stock."

In 1973, production slumped by another 8 million tonnes. This meant a heavier deficit, when the capacity to cover it was vastly less, than in 1972. Government was in a cleft stick. Unable to meet the deficit, it took the drastic step of reducing the deficit by reducing rations, by 36 per cent in Bombay, by 26 per cent in Calcutta and by varying percentages in other areas. This kept the deficit down to 4.08 million tonnes, as against a deficit of 5.12 million tonnes in 1972. It was met, mainly, by commercial imports (3.60 million tonnes) and, partly, by drafts on reserves (480,000 tonnes).

Food production in 1974 recovered by about seven million tonnes to 103.6 million tonnes and imports during the first about 9½ months of the year are placed at 4.0 million tonnes. Price data, however, indicate that, nevertheless, the overall food situation in 1974 was worse than in 1973. Apparently, part of the additional supplies replenished depleted stocks and the balance left was not enough to cover the market deficit even to the extent we had managed to do in 1973. During the first eight months of the year, the prices of foodgrains other than wheat soared at an annual rate of 45.6 per cent, or 1.8 times as fast as in 1973, despite a slackening of the inflationary pressures. That part of this price rise which is attributable to short supplies as distinguished from the inflation—caused price rise—was 6.6 times as large as in 1973. In the case of wheat, both multiples were even larger. Secondly, unlike in the past, the *rabi* harvest-time crop arrivals failed to produce any seasonal recession in food prices in 1974. This is evidence of continued overall shortages.

Thus, the recovery in food production during 1974 has been less than adequate and imports have fallen far short of needs. It has been estimated that, to avoid distress, the import needs of the current year are of an order of 6-8 million tonnes. Because of the acute shortage of foreign exchange and the unfortunate termination of food aid, we have not been able to import the quantities required; and reserves being already low, the deficit of the year has been left uncovered in a much larger measure than in 1973. This is the story which price trends convey. The reported statement of the Food Minister in the Rajya Sabha, on 26th November 1974, that "government would maintain the public distribution system through stepped up internal procurement and purchase of grains anywhere" seems to be little more than wishful thinking.

He who runs can notice the evidence of uncovered food deficit. This evidence is in the Press reports of the frequently empty ration shops—except in the politically articulate urban sectors—people supplementing rations by roots and rats, the spread of "lathyrism" from a prolonged consumption of *Kesari dal*, in place of normal food, in U.P. and M.P.; rural folk fleeing to towns for food and employment; subsidised *chapati*-and-*dal* camps, run by Chambers of Commerce, where even office clerks line-up in the queue; official gruel kitchens or "dry doles" of wheat (which are "just enough for three or four meals" in a fortnight); acute scarcity, reminiscent of the 1943 famine, in Cooch-Bihar, Alipur Duar and elsewhere in Bengal; famine-like conditions in Assam, Bihar, Gujarat, Maharashtra, Orissa and Rajasthan; and the unconscionably high prices of foodgrains in the deficit states.

What is the explanation for a nation of farmers suffering this food shortage? How is it that, despite a proved production potential of several times the national average yield and the official campaigns for self-sufficiency, we are unable to cover, even for short patches of time, the marginal market deficit of 3 to 5 per cent of domestic production? Considering this most disappointing record of over two decades, is it at all possible to achieve assured food self-sufficiency?

The answer, doubtless, is in the affirmative, but subject to the fulfilment of two pre-conditions : first, the removal of the capital starvation of agriculture and, second, the assured availability of competitive market prices for the output of farms. Given these two prerequisities—but not otherwise—we can not only banish hunger from India but also contribute to the relief of the threatened famine conditions in Asia and in the other underdeveloped parts of the world. The High Yielding Variety (HYV) seeds, which we have evolved, and the vast strides we have made in agricultural technology makes this a reasonable certainty.

As argued earlier, the removal of the capital starvation of agriculture is not possible without heavily slashing public sector outlays and without putting a stop to uneconomic extension of industrialization. This alone can make adequate resources available for agriculture. This reform, however, calls for a complete U-turn in our overall economic policies, which is no easy task. Such drastic measures would be doubtless resisted, tooth and nail, by the powerful vested interests which have been flourishing on the corrupt and the wholly unmerited windfalls, which the prevailing policies bring. But the choice before us is, clearly, between, on the one hand, keeping the present corrupt and wasteful system going and, on the other, continued economic growth, a thriving agriculture and an abundance of food for all. Today, these vested interests, which are well entrenched in power, are looking for a solution which will produce economic development but consistently with the corrupt and other windfalls to which they have been accustomed. Such a solution, however, does not exist.

The situation is one of extreme difficulty and calls for rare economic and political statesmanship. There is no room for both massive parasitism and adequate food and well-being for the masses. There can be no *Garibi Hatao* under the prevailing policy system. Mass starvation is but the economic counterpart of the unmerited affluence of the power elite, the innumerable Taj Mahals which we have constructed in the heavy-industry sector, and the output of factories which just would not stand international comparison in respect of cost or quality. We can have either the one or the other. Unfortunately for the parasitical vested interests, there is no room for both. If we make the wrong choice, i.e., stick to the prevailing policy system, we have no escape from dependence on food aid even in normal times; and recurring famine-like conditions at the first adverse turn in weather conditions.

To take the second of the two preconditions, namely, competitive market prices for farm output, our foodgrains prices policy rests on the theory that farmers should have no reason to complain if procurement prices covered costs and brought "reasonable" profits. This is a most inequitous and economically disastrous theory. The prices of farm output determine the incomes of farmers. When the Agricultural Prices Commission places ceilings on the prices of foodgrains, it arbitrarily places ceilings on the incomes of foodgrains farmers as well.

What is the moral or economic basis for this arbitary income limitation of foodgrains farmers? In a background of acute food shortage, the producers of food should be given an incentive price. Because of the acute shortage of foreign exchange, we offer various subsidies and incentives to the producers of foreign exchange, the exporters. Why should not the same logic apply to the producers of food?

The view, to which, unfortunately, the Agricultural Prices Commission seems to subscribe, that, if food prices are left unrestrained, there may ensue an inflationary price spiral, is without any basis of logic. This is a fallacy which has caused a great deal of damage to the food economy of the nation and has produced much avoidable human suffering and distress. Inflation is a monetary phenomenon; and rising food prices are not a cause of inflation. Almost the sole originating cause of inflation in India — as in under-developed countries generally — is the printing press finance of the budget deficits of the Union and State Governments;

and the corrective to inflation lies in putting a stop to printing press finance.

Rising food prices are but a consequence of inflation, though under inflation, foodgrains prices rise faster than other prices. This is so because, when the money incomes of a hungry people increase, they rush first to the food market. Inflation, cannot be corrected by tampering with the consequences of inflation, leaving its causes untouched.

It is far from clear why foodgrain farmers should be taxed to finance the subsidized distribution of rations to the urban population. Yet, this is what we do when we procure foodgrains at below market prices.

This is a most iniquitous and unjust arrangement. It is nothing less than monstrous when those who produce food are, as in Orissa, among the poorest farmers in the world. If, for policy reasons, we wish to subsidize food rations, the incidence of the subsidy must fall on the nation as a whole. It follows that procurement should be at competitive market prices, the needs of the public distribution system being acquired by all-India tenders. This implies a national market for foodgrains and the complete abolition of food zones. Zones depress prices in the surplus states and push them up in the deficit ones, in relation to prices, which would obtain, in the absence of zones. Zones, therefore, are a device of taxing farmers to finance the subsidy; they are a means of unmeritedly harsh treatment of the consumers in the deficit states; and become instrumental in retarding production in the granary states thereby.

A competitive market price for their produce is the birthright of farmers, even as competitive wages and salaries are the birthright of employees. The error of the policy of arbitrarily limiting foodgrains prices, thereby restraining unjustly the incomes of foodgrain farmers, in the context of a general upsurge in incomes, has been demonstrated more than once in the past. Land has been shifted from wheat to other crops when the gap between procurement and market prices was considerable.

During the pediod of the "green revolution" in wheat, 1968-72 the difference between the procurement and market prices was small and the open market sales of the balance of the wheat left after the levy could easily compensate for the procurement penalty. With the nationalisation of the wholesale trade in wheat, in March-April 1973, the door for such compensatory open market sales was closed. Simultaneously, inflationary pressures drove up production costs by over 30 per cent in one year and ate into the returns from levy wheat. This led to, during the 1973 sowing season, heavy shifts of land and resources away from wheat; and ushered in a "counter-revolution" in wheat. Consequently, the wheat harvest declined considerably in 1974, though, weather conditions being comparatively favourable, agricultural production in general went up. If the wheat-price policy had been different, we may not have had widespread distress and starvation deaths during the lean months (July to October) of 1974.

The controlled de-nationalisation of the wheat trade in March 1974 has created chaos in the wheat market. While open market prices, reflecting inflation and shortages, continue upward—in Hapur, "average" wheat is currently quoted at Rs. 209-214 per quintal and, in deficit states, wheat sells at over Rs. 300 per quintal—the levy price remains fixed at Rs. 105 per quintal and the inter-State trading price is controlled at Rs. 150 per quintal. The only exit, open to farmers and traders, from this price riddle is hoarding, smuggling and blackmarketing.

To raise wheat is, therefore, to get caught in this price riddle. If the farmer does not meekly surrender his wheat to Government agencies at levy prices, and suffer an income penalty, he may attract several police penalties, and now he has been promised MISA therapy. With this gloomy prospect before them, farmers who dislike blackmarketing and police attention may well decide to grow wheat only when they cannot grow anything else. And it is not as if they have no alternatives. The acreage under wheat may, therefore, fall further in the current sowing season (October to December).

If, as a consequence, the uncovered deficit in 1975 should be larger than in 1974, the danger of famine conditions continuing in an intensified form in 1975 is real and great, and the responsibility for this disaster, as in the case of the widespread misery and distress in 1974, would be that of the policy-makers.

Like most other maladies confronting us, the food problem, thus, has emerged from our own inept policies and the remedy rests in our own hands. The only honourable course is to step up domestic production, for which abundant scope exists. Two decades of experience, however, has demonstrated that we just cannot achieve this under the prevailing price and investment hurdles. This policy of hurdles is not only strange in the context of the famine conditions we are passing through, but also conflicts with the late Prime Minister, Lal Bahadur Shastri's slogan which places the *Kisan* on the same high pedastal as the *Jawan* (national defence services).

In the case of the earners of foreign exchange, exporters, we offer several subsidies and incentives; and withal exporters have not been able to relieve or solve India's balance of payments problem. The producers of foodgrains are easily the greatest savers of foreign exchange. And yet, in place of incentives, they are subjected to price penalties and are otherwise discriminated against. The more successful among them are branded *Kulaks,* instead of being complemented for their contribution to the solution of India's food problem.

Wheat farmers, in particular, have been the target of attack by the Administration. In respect of the production and sales of wheat, we seem determined to violate all known market laws. The following passage in my book, PL 480 AID AND INDIA'S FOOD PROBLEM (1974), sums up the situation :

> "Wheat farming has become not merely had business; it may also land the farmer in serious difficulties with the law. If he stocks more than the prescribed quantities of

his produce, he engages in an anti-social activity, 'hoarding', if he directly sells the produce to retailers or consumers beyond certain limits, he is a 'black-marketeer'; if he transports wheat to a neighbouring district or State, which has been declared a deficit one, he is a 'smuggler', and, in terms of the latest ordinance on the subject, his wheat, the container, and the vehicle, all may be confiscated to the President of India; and if he transports the grain to a mandi in a truck, in preference to the less efficient modes of transport, he once again attracts the charge of smuggling.

"Under these conditions, it is more than unreasonable for policymakers to expect farmers to go on producing as much wheat as before. It is much more likely that they would grow wheat only when and to the extent they must to meet the needs of their own households or, when the land is not as good for any other crop. They would shift land, or, where this is not possible, shift resources, away from wheat" (p. 288).

It would be a great day both for the farmers and the country if the Administration could be pursuaded to revise its policies of hurdles and handicaps and place foodgrains farmers on a par with other entrepreneurs. I have not the slightest doubt that, if only food farmers are given at least this parity treatment and their due share of the national savings and investments resources, India's food problem may well become a bad dream of the past in a matter of one or two crop seasons; soon thereafter, we may help to feed the hungry people in Asia and other food deficit areas of the world; and, what is no less important, we would then be well on the way to achieving the national objective of *Garibi Hatao*.

II

TREAT AGRICULTURE AS AN INDUSTRY

By

M. A. Sreenivasan

How did the coffee planting industry come into existence in the State of Karnataka? How did the lovely green hills and valleys of Coorg and the Bababudans come to be clothed with the well-wooded verdure of coffee, pepper and orange? How is it that India's plantation industry has won and retained the first rank in the world for production of tea per hectare, and the fourth rank in the world in coffee? And why on the same good earth, under the same Indian sun and sky and the same capricious Indian monsoon, with the same Indian skills and hands, does our country stand as low as 50th in the world in the production of rice per hectares and 40th in cotton?

The last question is one that calls for deep and anxious consideration especially when it is realised that our farmers have demonstrated that they, too, can attain far higher yields of rice and corn and cotton. In the case of paddy for example, in 1970 the highest yield in demonstration farms in Orissa was nearly eight times and in all-India crop competitions 9.4 times the national average (16.8 quintals per hectare) in that year.

When you read the history of coffee cultivation and its phenomenal growth in our State you cannot but admire the way it was nurtured and encouraged by the State's Rulers and the Government, and the wise and generous provisions made in the Mysore Land Revenue Code and in the Revenue Manual, the Department's bible, to attract bold enterprise and investment to tame jungle and transform it into smiling coffee estates. The Code and Manual were among my text books, for it happened that my very first posting, on entering the Mysore Civil Service in January 1918, was to Chikmagalur, where happily my first assignment even as a probationary assistant commissioner was to process applications for Takavi loans from coffee planters who were then hard hit by a serious decline in prices.

The key word in those provisions was "Shraya" meaning improvement, "improvement of land by cultivation," as explained in the Revenue Manual of 1967, "waste lands granted to cultivators who undertook to reclaim the area from jungle and bring it under cultivation upon leases with progressive increasing rents."

An entrepreneur applied for coffee cultivation on a hill side jungle. The land was ordinarily sold by auction subject to an upset price of Rs. 20 per ·405 hectares (January 1940). It was given on a "guarantee for 30 years" and "in the case of coffee, free of assessment for the first three years, one half assessment for the next two years, and the full assessment of Rs. 1.25 per ·405 hectares from and after the sixth year." No grant was made unless the applicant was able to prove that he can raise the necessary capital for starting the industry—mark the use of the word industry. One-fifth of the area granted was to be planted every year.

A thoughtful additional provision, intended to cheer up the intrepid planter said "the grantee can draw toddy from Bagani or other trees for the making of bread or other *bona fide* domestic purposes."

Is it any wonder that with such inviting attractions and incentives and taxation that was nominal, our State now leads India with 70 per cent of the total coffee production?

The question is, why this glaring disparity in our agriculture's productivity between the yields of rice for food and cotton for clothing on the one hand, and the yields of plantation crops like tea and coffee?

What is the magic of plantations?

The root cause for the glaring disparity is to be found in the way land has come to be regarded and treated by our law givers and government. They all recognise that agriculture is India's greatest industry. Yet, with the exception of plantations, which occupy but a fraction of the total land under cultivation, agriculture is not treated as industry is treated. Agricultural land has become the platform, if not the playground of politics, each party vying with and wishing to excel the other in land reforms and reforms of land reforms. This, in spite of the fact that even Pandit Nehru declared years ago that there should be an end to land reforms.

Our nation's leaders constantly exhort us to preserve our culture and traditions. From ancient times till only a few decades ago, land in India was described as 'Sthira', permanent, certain. Deeds of transfer of land affirmed the right of the purchaser to the 'eight-fold' enjoyment of the ownership of the land, the trees, waters and minerals therein, above and below the ground, (*nidhi nikshepa, jala tharu, pashanadi, ashtabhoga tejas swamyam*) until the sun and moon last (*achandrarka*).

What is title to agricultural land today? Has it not tended to be a scrap of paper blown about by every political breeze? Investment in land has become the very reverse of 'Sthira'. The river of capital that flowed to it and make it green has dried up or got diverted. The nation's most basic industry has become the biggest investment risk. If you are thinking of investing in land now, do not forget that your status as a landowner is derecognised. Make sure you do not earn a rupee more than a magnificent 12,000 rupees a year. Be careful not to hit your head against the ceiling. Note that while it was 18 standard acres in 1961, it has since been lowered down to ten. And beware of being branded an absentee landlord. It is a term of abuse. You may live in Bombay and buy five hundred shares in the Mysore Sugar Company and not be called an absentee sugarlord; or in Tata Steels or Binny's and not be castigated an absentee steel lord or absentee cloth lord, but no, not so if you buy land.

I am sure many of you have wondered, as I have, why there is all this political obsession with land. It is common knowledge that even if all the arable land in India were distributed among the landless there would hardly be an acre for each.

From ancient times it has been the habit of Maharajas and Sultans who invaded and became the new masters of large tracts of land to make gifts and 'inams' at their pleasure. The commonest form of a royal gift was of land that came under their sway. In giving land the Sultan gave nothing that diminished his riches nor interfered with his pleasures. "Nothing is clearer in history," writes Will Durant, the famous philosopher-historian, in his great work called "Lessons of History", "that the adoption, by successful rebels, of the methods they were accustomed to condemn in the forces they deposed." Can you think of a better illustration of this lesson of history than the way our present rulers, having deposed Maharajas and Nawabs and condemned their ways, have adopted the favourite habit of their predecessors of making gifts of land?

You will readily admit that the habit has unique attractions. Can you think of anything you can give that is easier, more pleasing and costs you less than giving land that is not yours? Air, not hot, but cool refreshing air is God-given and free for all. Water, drinking water in particular, is easier promised than provided. It is troublesome, to part with cloth, to part with cash even more so. So why not give land, play about with land, take it from the owners, impose ceilings and slash them down, give land as you please, give to the landless, give to political sufferers, give to all whose votes you seek?

Chant the mantra "land to the tiller", "land to the tiller". It is a catchy slogan well coined to please the masses and to grow more votes. But stripped of its populist trappings, and examined closely, to say "land to the tiller" would appear no more respectable or rational than to say, for a change, "cloth to the weaver", or "curry to the cook."

Now, where have these policies led to? Experienced observers, including political leaders of the status of Mr.

V. V. Giri, both as President of India, and after his retirement, have pointed out that this exercise of distributing lakhs of pattas for small plots of land is largely ineffective and the ownership of the recipients has, in most cases, been short-lived. Even granting that this may not happen in all cases, does not the policy lead to capital starvation of agriculture on the one hand and mere subsistence farming on the other?

In my days as a revenue officer, and even till a few decades ago, there was much concern over fragmentation of holdings. The accent was on integration, consolidation. The wisdom of this policy was never brought home to me more forcibly than when I was Minister for Food in this State. The supply of food to town and city dwellers, whether it is free or rationed, must come from farms in rural areas. The farmer who grows food has to keep what is enough for his family and dependents, and sell or surrender the excess. This excess is called the marketable surplus. Suppose the marketable surplus from a rural area is 20 per cent of the total production in it. If for any reason, whether because of increased local needs or of a scare or scarcity the farmers in that area retain only 10 per cent more for themselves, the marketable surplus at once suffers a cut of 50 per cent and the supply or ration of the urban population is reduced to half of what it was.

One hears a great deal of eloquence about land hunger. Land, after all, is only one of the means, a base of production. You cannot eat land. The expression land hunger is semantic, a figure of speech like, say cloth hunger, or power hunger. But food hunger is very real and dangerous. "We are living on the edge of a knife," says Dr. Boerma, Director-General of F.A.O. about the present global food situation, "disaster is at our doorstep. Asia is facing the largest food deficit in history." No less an authority than Nobel laureate Dr. Norman Borlaug made the dreadful prediction, very recently that millions will die in the next 8 to 9 months in countries like India and Bangladesh. He called it "the worst food crisis since World War II" and added "the deaths in those countries are going to make the fatalities from starvation caused by drought in the Sahara lands over the last couple of years look like very small numbers."

All of us must earnestly hope and pray that the prediction may not prove true. But does not the situation call for urgent and serious rethinking and revision of our nation's agricultural policies?

It is now nearly two decades since Prime Minister Jawaharlal Nehru declared "not a grain of food will be imported even if we starve." Years later he lamented, "it disturbs my mind more than the Chinese aggression, I often hang my head in shame when I think that a nation with seventy per cent of its population in agriculture depends on foreign countries for its food requirements."

Which are these foreign countries? The U.S.A. the largest exporters of agricultural products in 1972-73, which has less than 5 per cent of its population engaged in agriculture, and countries like Australia, Canada, where land is not politicalised, where agriculture is free and unhampered by irksome laws and levies, and the only ceiling is the sky.

But we need not seek lessons in cultivation from these countries from which we import food. We have in our own land, proof in our plantations, and in our demonstration farms, that our agricultural productivity can rank as high as any country in the world.

At the recent World Food Conference in Rome, Mrs. Judith Hart, Britain's Minister for Overseas Development, said that "if the torrent of words flowing out at Rome could be transformed into rice and wheat, the hungry children of the third world might be saved." Likewise, it would be true to say that if the incessant spate of our land legislatio could have grown paddy, our country would not only b self-sufficient in rice but also have a surplus for export.

Does it not seem unfortunate, indeed deplorable, th ceilings and levies and restrictions are imposed that de to the growing of staple foods like rice and ragi and bas crops like cotton the freedom given to growing crops like coffee and rubber? True, the export of the latter earns valuable foreign exchange. But does not the import of the former impose a heavy and increasing drain on our country's foreign exchange resources specially at a time when the nation's balance of payments position is causing concern?

Earlier I asked,—what is the magic of plantations? It is, simply, the magic wand held by Government, the Prime Minister and Central Cabinet, the Chief Minister and his colleagues here, by a blissful wave of which lands upon which crops defined as plantation crops are exempted from the ceilings and levies, the restrictions and uncertainties imposed by Land Reforms legislation.

How I wish the same magic wand is waved to bring forth paddy plantations and cotton estates! If cotton is blissfully included in the definition of plantation crops, I am confident that Karnataka can within a few years be not only fully self-sufficient but also supply cotton to the mills in neighbouring States. And if by suitable exemption or amendment of the law well-managed estates could be enabled to grow paddy, there would be no need at all for our State to go asking for allotments of imported rice.

I have pleaded with Chief Ministers and others in high authority for the revival of the 'shraya' spirit to encourage, nurture and improve the cultivation of these essential crops even as our coffee estates have been nurtured and enabled not only to attain high levels of productivity and earn foreign exchange, but also to provide gainful employment and amenities such as free housing, water supply, medical and sanitary facilities, canteens, creches to lakhs of well-paid workers whose earnings could be the envy of the hundred of poor rural workers that daily flock to our cities in search of employment.

In making the pleadings I derived encouragement by the observation of a perceptive Union Minister and a report that the Government was thinking at one time of permitting the corporate sector to engage in efficient large-scale farming. But the melancholy answer I got from the authorities was that while the proposition is economically sound, it is politically impossible.

It is sad to think that political ideologies should come in the way of what is nationally good, and necessary.

I earnestly hope that at a time of emergency and crisis like the present, political inhibitions and prejudices will be cast aside, and the magic wand will swiftly be waved to banish scarcity and usher in an era of abundance of food and clothing in our land. (*From chairman's statement at the annual general meeting of Consolidated Coffee Ltd., on 14th December 1974.*)

The views expressed in this booklet are not necessarily the views of the Forum of Free Enterprise

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good".

—**Eugene Black**

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The Forum of Free Enterprise is a non-political and non-partisan organisation, started in 1956, to educate public opinion in India on economic issues, specially on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets and leaflets, meetings, essay competitions, and other means as befit a democratic society.

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