

Land Reforms, Corporate Farming, and Employment

Prof. M.S. Swaminathan, formerly Chairman, National Commission on Farmers, recently observed that about 60 percent population of the country depends on agriculture and that over 86 percent of the total operational land holdings comprise small farmers (with less than two hectares of land). As per National Sample Survey (2003), the average total income of farm households, with up to two hectares of land, was less than 80 percent of their consumption expenditure. Since farming is not generating enough income especially for small farmers, more and more farmers are falling in debt-pools and are thus resorting to various kinds of distressing actions, like, selling of land and taking up jobs of labourers for themselves, and even taking up the extreme step of suicide. The loan-waiver approved in the Union Budget of FY 2008-09, amounting to Rs.710 billion for farmers, though ill-conceived

in planning, was an attempt by the Government to assuage problems of the farmers.

To my mind, this loan-waiver can at best work as a limited period pain-killer without actually curing the disease which has plagued the agriculture sector of the country. Because the underlying problems which laid the debt-trap for the farmers in the first instance, like, (a) inadequate extension services for training farmers for use of latest farming techniques, (b) scarcity of quality seeds, (c) poor marketing and thus under-realization from farm-produce, etc., have not changed at all. If the Government feels that just by increasing availability of credit to the farmers or by extending ad-hoc loan-waivers, the pitiable condition of our farmers can be improved or even food-security of the nation can be ensured, it is grossly mistaken. In fact, the need of loan-waiver arose only because the farmers could not earn enough from farming to repay their loans.

The Government of India has invested significantly in strengthening Indian Council of Agriculture Research (ICAR), with the expectation that it will provide extension services to the farmers for enhancing farm-productivity. However, it was observed in a recent report of the Comptroller & Auditor General of India, for the year ending March, 2007, which was tabled in the Parliament on the 24th October, 2008, that ICAR was not providing satisfactory extension services which could enable the farmers, to use latest crop-varieties and modern technologies for enhancing farm-productivity. On the other hand, the small farmers lack resources and are, thus, incapable to gather latest know-how and initiate pragmatic measures for improving farm-productivity of their own. In view of the above, it can be said that the basic stumbling blocks in the path of development of agriculture in India have not been removed as yet.

So, if the Government is unable to provide desired extension services to our farmers and these farmers of their own are unable to gather latest know-how, then we should look for some other solutions to tide over the problems being faced by the agriculture sector of the country. **To my mind, the only viable solution lies in strengthening the farming community by consolidating their land holdings, by way of creating something like land-units. In the same way as companies are built by pooling together share capital of several investors, which enable these companies to build up capacity for gaining from the economy of scale, which in turn transforms these companies into big, powerful, and profitable entities.**

The need for consolidation of land is being felt increasingly, now, because after the division of land-holdings among successive generations of farmers, the principle of economy of scale cannot work on fragmented land-holdings. Moreover, the farmers with small land-holdings are also not resource-wise rich so as to employ latest expertise, technology, and machines to enhance productivity of their farms. Accordingly, this unrelenting fragmentation of fertile land is rendering farming non-profitable for many. Consequently, our fertile land is being put up on block for sale, for other uses than farming, and simultaneously our farmers are being driven towards deprivation.

The existing Indian succession law only expedites the process of further fragmentation of land-holdings as the land gets divided among the siblings. Thus, the only way out of this impasse, is to enact a concept of land-units, which can help in consolidation of land, on which cost-effective and remunerative farming can be carried out. Though, the subject of land-units cannot be handled so simply, still I am trying below to bring

out the central idea of the same which is lying in my mind, along with the potential benefits which will accrue after consolidation of land by way of land-units:

First, consolidation of land-units should be tried, as pilot projects, where sizeable pool of land-holdings, say, 50 acres of land, is available contiguously for pooling.

Secondly, the charge for farming of the consolidated land should be given to an individual, say, caretaker of the land, who has the backing of the largest number of land-units in that consolidated land or to some other land-unit holder, depending on the size of his land-units, if the person who commands the backing of the largest number of land-units, is reluctant to assume the role of the caretaker of the land. If majority of the stakeholders of land-units agree, the role of the caretaker of land can also be given to a third party, say, to a large private company or group of investors/professionals, who can deposit collateral as a security against potential losses from farming, if any.

Thirdly, it should be obligatory on the part of the caretaker of the land that he has to generate a minimum stipulated return from the land or else the shortfall, if any, will be met commensurately from his land-units and added proportionally towards the account of other land-unit holders or auctioned among other land-unit holders/other people. And in case the caretaker of the land is a third party then the shortfall should be adjusted from its collateral security deposit. A part of the excess return from the consolidated land can be enjoyed by the caretaker of the land, as his reward, and the remaining can be reinvested for improving productivity of the land as well as distributed among other holders of land units proportionally, as per the guidelines which can be suitably drafted for the purpose. So the consolidation of land and assuming its charge

by a caretaker will not be like functioning of ordinary companies, where promoters/company officials can put the company at a loss, without any personal accountability. This aspect of personal accountability should never be diluted or else consolidation of land by means of land-units, will only lead to disaster. In fact, something like above should be applied in case of companies, too, for increasing accountability of those who run these companies.

Fourthly, the Government on its part should arrange for some kind of crop insurance cover, so that the caretaker of the land is somewhat protected in case of crop failure due to flood, drought, or other natural calamities. The gesture of insurance cover by the Government will instil confidence among the caretaker(s) of the land as well as set up stage for practising the idea of consolidation of land.

Now, I mention some of the potential benefits of consolidation of land by way of the above illustrated land-unit model:

1. Large scale farming under the emboldened caretaker will ensure that required farm equipments, like, tractors, harvesting machines, modern irrigation facilities, etc., are employed economically and optimally through out the year. Also, trained agriculture graduates and marketing graduates can also be employed by the caretaker for professional management of the entire agricultural operations. Thus, ensuring increased productivity of the agricultural fields as well as decent realization from proper marketing of farm-produce.
2. **By the introduction of big companies in farming, to be termed as Corporate Farming, the problems of farming community will be considered more**

vigorously by the Government as the big companies will have a significant clout in the corridors of power. Consequently, more reforms will be undertaken to strengthen agriculture sector of the country. In fact, I will go one step ahead to vehemently plead that those private retail-chains, which agree to undertake corporate farming in the country, should be given preference to set up shops in the country. I am not in favour of contract farming, where the risk of crop failure largely rests with the farmer. The culture of corporate farming will induce innovative modern farming practices in the country at a quicker pace. Also, only, then the country will learn about the real problems being faced by our farmers. It is easy for the private retail-chains to earn bountiful profit by trading farm-produce which originate from the sweat of poor farmers but it would be worth watching whether these companies can generate the same profit by undertaking agricultural activities of their own.

3. Anyone can easily visualize that the farmers bear risk of crop failure as well as undertake many times more labour than the government peons, but these farmers do not earn commensurately. For example, as per Arjun Sen Gupta Commission report, average monthly income per household from farming was Rs.1578/- per month in 2003, whereas a newly appointed central government peon used to earn, about Rs.5000/- per month during the same period. Notwithstanding the fact that many members of a farmer's family also share the rigours of farming, whereas a government peon works alone for a fixed time and is also entitled to avail of various kinds of leave, post-retirement benefits as well as many other amenities along with his assured

pay. And, now, the aforesaid disparity in the earnings of the two has widened even more after the implementation of the Sixth-Pay Commission award for government employees. Thus, when corporate farming takes the shape, it will help in surfacing the problems, being faced by the farmers, more articulately. And the Government will also take swift remedial measures to alleviate those problems, which will eventually help the cause of long-term growth of agriculture and related activities in the country, immensely.

4. Since the caretaker of the land will not be able to manage the entire farming work without employing additional people, employment opportunities for the farmers and the other agricultural workers will not evaporate altogether. Moreover, this will also open up avenues for generation of higher level employment in the form of demand for agriculture-graduates as well as marketing-graduates. Job opportunities for these graduates will be even more if big companies undertake corporate farming. This will galvanize modernization of agriculture in the country at a much faster pace.
5. The corporate farming may also act as a catalyst in the development of other allied fields, like, processing of food-products, marketing of farm-produce, building up of rural road network, etc. Even the destitute, beggars and other disabled persons without adequate family support, who cannot perform normal jobs, can also find employment when corporate farming is undertaken, for lighter jobs, like, protecting crops from animals and birds, etc. Though, they have no chance of employment through the conventional farmers as

they cannot afford to employ these people even at low wages, as presently farming is less profitable. This endeavour can bring dignity and self-esteem in the lives of these unfortunate people, too.

6. **By increased mechanization of farming and optimum utilization of manpower as well as machines, some people who normally remain occupied only with agriculture jobs, will be free to take up other jobs. These people can be trained to take up non-agricultural jobs, which will bring more prosperity to the people, as the Chinese Government has shown by moving a sizeable number of people, who were earlier dependent on agriculture, to manufacturing. As per the studies of the Planning Commission of India, the income ratio of agricultural workers and non-agricultural workers is steadily deteriorating; it has worsened from 1:1.8 in 1950-51 to 1:5.2 in 1998-99 to 2003-04. The National Commission on Farmers also stressed the need to wean away agricultural workers to non-agricultural sectors. Prof. Swaminathan also opined that in the next 20 years, we should bring down the number of people dependent on agriculture from current level of 60% to 30%. Though people have said so, yet they have not devised a strategy which can help in proceeding speedily in this direction. I think the corporate farming model, as advocated above, can do the trick in this endeavour smoothly and quickly without compromising with the food-security of the country.**
7. By introducing professional management of crops, farmers will feel highly relieved mentally because in the present setup any small untoward incident can

dent a big blow in their income, which can sometimes lead them towards life-long indebtedness.

8. **Another huge social benefit of consolidation of land will accrue in terms of significant reduction in land related disputes, some of which even acquire criminal colours. This will drastically reduce civil as well as criminal cases in our courts, thus freeing up judiciary with such avoidable land disputes. Because, now, there will be no disputes on trivial points, say, on demarcation of boundary of agricultural fields or on demanding right of passage from a neighbour's field or on account of division of land and their location among heirs, and so on. The powerful will not be able to snatch away the land of the weaker ones because, now, land-units will count and physical possession of land by force will have no meaning. Now, the land-units of those desirous of disposing of their share of land can also be transferred easily. Thus, land-units may help in bringing down land related disputes dramatically. Recently, it was reported in media that Kosi floods in Bihar, in August, 2008, washed away the farm land boundaries as well as land records of the farmers. Thus, burdening the Government to undertake cumbersome process of re-allocation of land to their legitimate owners, which I suppose is very difficult to achieve flawlessly and thus will give rise to a volley of court cases, culminating in unending misery for the concerned farmers. Perhaps, such problems will not arise if the concept of consolidation of land in terms of land-units is practised.**

9. It can also help the country conserve its arable land. It was recently reported by *Xinhua* that in China, arable land shrank from 130 million to 122 million hectares during 1996 to 2004 (I do not have comparable figures for India). It forced the Chinese Government to embark on a plan to conserve a total 120 million hectare arable land till 2020, with a view to ensure food-security for the Chinese. The same problems are being witnessed in India, even on a more alarming level. And it is feared that it will worsen, further, if fragmentation of land holdings of farmers is not checked up immediately and we do not plan the industrialization and the urbanization of the country in a systematic manner. However, the consolidation of land by something like land-units, as proposed above, can help immensely in conserving arable land of the country which otherwise seems impossible to achieve in the present set up. Moreover, in emergent situations, land-units can be swapped in exchange of another piece of land, amicably, and the country will not have to witness unfortunate incidents, like the ones experienced in *Singur* and *Nandigram*, which badly bruised the industrial climate of the country.

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