India: Maharashtra cotton farmers face destitution

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Around 1,000 cotton farmers in the Indian state of Maharashtra staged a protest at Yavatmal in the Vidharbha region on May Day to highlight the indifference of state and national governments to their plight. Their central demand was for a state-sponsored fresh crop loan to every farmer, regardless of previous debts. The demonstration followed a similar protest in the neighbouring state of Karnataka in late April demanding quality cotton seed.

Kishor Tiwari, a spokesman for the Vidharbha Public Movement Committee, which organised the May Day protest, said the farmers are demanding a rise in the cotton procurement price from the current 1,800 rupees ($US40) a quintal (100kg) to 3,000 rupees. They are also urging the government to ban the import of raw cotton and cotton seed.

The region accounts for 75 percent of Maharashtra's cotton production. In recent years, output has grown substantially but prices for different grades of cotton have fallen drastically. With increasing yields, private traders offering lower prices have started to dominate the local market in all the cotton-producing states, including Karnataka, Gujarat, Andhra Pradesh, Madhya Pradesh and Tamil Nadu.

Increasingly, cotton production has become unprofitable. In a move that mocks the plight of farmers, the Maharashtra state government has begun encouraging them to grow sugar cane instead of cotton. Sugar cane is a water-intensive crop, while Vidharbha is a drought-prone region lacking in irrigation.

The desperate economic situation in the region is highlighted by its high suicide rate. At least 500 cotton farmers have committed suicide in the state of Maharashtra since June 2005. Most were burdened with debts they could not possibly repay. The situation is particularly acute among the 3.2 million cotton farmers in the Vidharbha region, where one to three farmers take their lives each day.

In response to growing media attention, the Indian government appointed the Indira Gandhi Institute of Development Research in Mumbai to investigate the rural crisis. Its report, "Suicides of Farmers in Maharashtra", submitted in January, found that the Suicide Mortality Rate (SMR) for male farmers had trebled from 17 per 100,000 in 1995 to 53 in 2004 in Maharashtra—nearly four times the national average. In the crisis-ridden Amravati district, the figure was 140 in 2004—ten times the national average and seven times the state average.

More than two thirds of the cases examined in the study were farmers less than 50 years old. Close to 60 percent had been farming for more than ten years. Four in every five suicides involved poisons or pesticides used in cotton growing. The report noted that the lack of proper hospital facilities contributed to the high death toll. On average, a hospital capable of treating poisoning cases was more than 20 kilometres away.

The surviving family members were eligible for compensation of just 100,000 rupees ($US2, 200), and subject to tough conditions, which in most cases could not be met.

The report pointed out that those who committed suicide were heavily reliant on private moneylenders who often charge extortionate interest rates. "The total outstanding debt from suicide cases is 3.7 times more than the total outstanding debt from non-suicide [cases]," it stated. Most of the deceased farmers had an average debt of just 160,000 rupees ($US3,570), but could see no way of paying it.

A recent BBC report cited the case of cotton farmer Kailash Jhade, 26, who was wanting to marry this June. His family found his body in a communal well last month. "He had a loan from the bank and he used to be quite worried about how to pay it back. He often thought about how he'll finance his wedding," a cousin said. Kailash's initial loan was just $US200, but with an additional $US300 interest, it amounted to five times his annual income. The final straw appears to have been a bank notice threatening to confiscate his land.

The implementation of market reforms by successive Indian governments since 1991 has had a devastating impact in many rural areas, as subsidies for farm inputs and guaranteed government prices for produce have been steadily reduced or removed altogether.

Up to last year, Maharashtra was the only state that retained a government monopoly on the procurement of cotton. The Maharashtra State Cotton Growers Marketing Federation purchased cotton from farmers at an assured price, then sold it in the open market to local and foreign traders or directly to the state's once extensive textile mills.

In 1997, however, import fees on cotton were substantially lowered sending the local price for cotton crashing. That was the first year in which farmer suicides began to be noticed in Vidharbha.

In subsequent years, local farmers have faced growing competition from cotton grown in the US where subsidised prices were on average around 50 percent of production costs. At the same time, Indian governments have slashed quantitative import restrictions, and reduced import tariffs by 35 percent in 2001-02 to just 5 percent in 2002-03.

Cotton farmers have increasingly been forced to turn to private traders who buy and sell in the volatile open market. In 2003-04, traders in Vidharbha procured cotton from farmers at prices from 2,800 to 3,200 rupees per quintal. In 2004-05, there was a bumper crop in the region, but, with increased production in the US, prices fell dramatically to between 1,500 and 1,700 rupees per quintal.

The number of government purchasing centres has continued to drop from 411 last year to 141 this year, as Maharashtra ends its state purchasing monopoly. At the same time, the number of private procurement centres has expanded to 210. By February 11, the state Marketing Federation had bought only 4,830 quintals of cotton—a huge fall from the 178,000 quintals purchased last year by the same date.

"But that's because open market prices are better," N.P. Hirani, chairman of the Marketing Federation, insisted. Those who benefit, however, are certain to be richer farmers and private traders. Most small farmers, who lack transport and finance, will have little choice in selling their crops.

At the same time, many small farmers are being squeezed by higher prices for inputs, a lack of irrigation and a sharp decline in state-sponsored rural credit. Prices for fertiliser and seed have doubled over the past year, forcing many farmers to turn to moneylenders for credit for their next crop.

According to a recent estimate, the cost of seed, fertiliser, pesticide and labour is 17,500 rupees for a return of about 15 quintals of cotton. At current price of 1,500 rupees per quintal, the average annual net income is just 5,000 rupees. For an average family of five, this income amounts to 1,000 rupees ($US22) per person a year. For those trying to pay off huge debts, the financial crisis becomes unbearable.

Many farmers, not just in the cotton growing regions, are being forced to leave their land. In Maharashtra, the contribution of agriculture to the net state domestic product has fallen from 40 percent in 1960-61 to 14 percent in 2002-03. Unemployment and under-employment are rampant in rural areas.

The state and national governments, whose pro-market policies have created the economic disaster in rural areas, have attempted to deflect growing anger with various band-aid schemes.

The state government's latest gimmick is a motorbike bonanza scheme for crisis-torn Vidharbha. Farmers who meet strict eligibility requirements will be granted an "easy loan" against their land to purchase a motor bike. Even then, the "easy" loan terms involve payments in instalments over four year at an annual rate of 9 percent.

Vidharbha Public Movement Committee spokesman Tiwari said the scheme was designed to help bike manufacturers more than farmers. "The loan would indeed change a farmer's life, but for the worse. So, when [Indian Finance Minister] P. Chidambaram announces a hike in agriculture loans in budget, it's good news for automobile industry."