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***SHRINKING WORLD, EXPANDING CRISIS***  
*WTO, Globalisation and the Agrarian Crisis in Wayanad,*  
*Kerala*

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## *ABSTRACT*

The agricultural sector world wide has undergone a drastic change through the integration of the local markets to the global ones with the advent of the World Trade Organisation (WTO), the main propagator of international trade. The third world in general has stood to suffer with this emergence of neo-liberal market fundamentalism, the consequence of which has been a major crisis in the farm sector worldwide. The purpose of this case study on the agricultural sector in Wayanad was to analyse the features of the prevailing crisis and its influences politically, economically, socially and environmentally. This crisis has manifested itself in increasing poverty, falling prices of primary products, mounting debts and also in suicide of farmers. Though the cause of the crisis is apparently found in the changing trade scenario worldwide, its features and the reasons for its escalation has been related with a variety of factors, some inherent in the functioning of the country and the others as influences from outside.

**Keywords:** WTO, Agreement on Agriculture (AoA), suicide of farmers, trade and development, environmental degradation

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## **1. INTRODUCTION**

At the turn of the 21<sup>st</sup> century the agricultural sector worldwide stands in the midst of a major crisis which has been manifesting itself in fall in prices of primary goods, increase in disparities between different sections of society and increase in the number of the poor worldwide. This has made agriculture on a small scale no longer a viable option. Agriculture plays a central role in poverty eradication, socio-economic development and employment generation, as it is one of the defining characteristics of a developing or an underdeveloped country's economy. It supports over 66% of the population in these regions and in the process, a majority of the world's poor at a subsistence level. The vast social, economic and political change the world is undergoing as a consequence of the emergence of the WTO makes it the primary factor of analysis in relation to the crisis.

The WTO in the post-liberalisation scenario has emerged as the main player in accentuating the forces of globalisation, replacing the World Bank and the IMF from their role of control in the third world. The WTO's Agreement on Agriculture (AoA) determines trading and trading patterns of agricultural goods in the developing world today to the extent of determining the rate and nature of development there. The AoA and its different clauses have created a regime of trade through the integration of the local markets to the global markets. This has led to inconsistencies in the socio-economic scenario of a country due to premature development and unfair rules leading to a crisis. True to its definition, globalisation in the process of shrinking 'space and time' has led to the proliferation of a crisis that takes its toll on almost all parts of the global south. The manifestation of the crisis can be seen in the suicide of farmers in South Asian countries like India, Srilanka and Bangladesh; it is also manifested in the acute distress in Ghana caused by the falling market prices and in the Caribbean where women are lured into prostitution as an alternative source of livelihood when agriculture is no longer a viable source. Various scholars have debated the role of the WTO in the crisis which has triggered off a 'blame game' where the supporters of the WTO in its defence look at the inherent infrastructural and functional flaws within a country to explain the crisis as a consequence of 'internal factors'. In turn, the anti-globalisation and anti-WTO advocates look at the laws of the organisation as unfair and unjust. They say the implementation of these laws in the name of free-trade has caused the crisis.

Wayanad one of the northern districts of Kerala is an example of a region that has been affected by the crisis and where one can see the influence of the WTO very clearly. For years,

this region has been a major producer and exporter of spices and other major cash crops produced in India, thus contributing substantially to the GDP of the state. In the recent years, however, Wayanad has come to be more known for the suicide of farmers rather than for the coffee, pepper and wildlife it was once famous for. As an economy overly dependent on export-oriented cash crops it has come to suffer immensely from the prevailing agricultural crisis. This crisis has been characterised by the falling prices of agricultural products, rising unemployment, rising wages, migration of labour and falling production and stagnation of agricultural and industrial development. The changing trade scenario brought about by the WTO regime and globalisation in recent times coupled with crop failures and climatic changes has led to the deepening of the crisis. This has added new dimensions and questions regarding environmental issues and the administrative competence of the state to the debate. The liberalisation of the Indian economy in the early 1990s and the consequent emergence of the WTO hegemony did bring about an unfair trade regime but it also brought to the forefront the incompetence of the Indian agriculture sector. This case study on the agricultural scenario in Wayanad looks at the internal as well as the external factors contributing to the prevailing agrarian crisis in the district. This has been analysed from the perspectives of world trade, environment and development.

## **1.1 PURPOSE**

The purpose of this paper is to study the role of the WTO and globalisation on the prevailing agricultural crisis in Wayanad, with specific reference to the Agreement on Agriculture (AoA) clause of the WTO charter that determines the nature of agricultural trade and also the regional organisation of the infrastructure that aids or hinders development and change to address and determine:

- (a) The unfair nature of agricultural trade regulated by the WTO and the effects it has on the agrarian sector in the developing world.
- (b) The features of the agrarian crisis in Wayanad and the inherent characteristics that has contributed to it.
- (c) The role of the market in development and greater responsibilities of the WTO with reference to 'fair trade' of 'free trade'.

## 1.2 DESIGN OF STUDY

This study is of a non-experimental design, as my research problem is a case study on the influence of a particular phenomenon in a specific area. The theoretical base of this paper is drawn from the current and debated clause of free-trade and development and its region specific influences that depends on various social, economic and political variables. A case study method was thought of for three reasons, first to study the uniqueness of the crisis in a region specific context, next to highlight the common trends of the crisis with relation to its theoretical point-of-departure which is the role of the WTO on agriculture and lastly to get a better grassroot understanding of global trends regarding this crisis in study. Considering that a crisis is not unique to the South Asian region specifically, a study of the role of the WTO and its impact on the agricultural sector in general would have been too broad and theory dominant with little empirical support. A case study would also aid in further study of the research problem through comparative analysis which is presently beyond the scope of this paper.

The research for this case study was covered through a month long field work in Wayanad, Kerala during which I stayed in Mullankolly panchayat which recorded the most number of suicides in the district. This village was a good study base as it was the worst affected region, it was situated in the drought prone area and it also had a large number of small and marginal farmers residing there; the characteristics which seemed visibly correlated to the crisis.

This qualitative analysis uses an inductive approach to build a hypothesis to comprehend the nature and cause of the crisis using a theoretical framework of trade & development and empirical data gathered during my field work. The main method of collection of empirical data was through interviews, direct observations and participant observations. Documented information in the form of official statistical figures was also collected from informants in the field for further analysis and rectification of secondary data. The current nature of the research problem made a lot of information available through the media which had to be dealt with carefully as the sensationalisation of news is a common trait associated with the media in Kerala. Media sources were useful in getting a chronological idea of events and also personal views on the crisis. Structured interviews were used with my informants and semi-structured and informal interviews for the respondents of the study. In my participant observations I

initiated discussions in teashops where villagers gathered in the mornings and evenings. I took active part in the discussions and was a passive observer in farmer's rallies and meetings that addressed the crisis, which was a common occurrence in the nearby towns. Through direct observation I witnessed the state of the infrastructure, institutional setups as well the consequence of the crisis on the people. For interviewing families of suicide victims I conducted case studies with the help of an interview guide to get details keeping in mind the sensitivity of the issue (appendix I). I conducted 9 such case studies. The statistics used in the paper to substantiate empirical data are mostly of a secondary nature and my methodology hasn't involved any quantitative data collection.

For the analysis of external factors central to the crisis I have mostly used secondary data and relied on previous studies related to the role of the WTO and the crisis. The VENRO project: 'Prospects for 2015' and the Kerala Government initiated report "Building Sustainable Trade Security System for Kerala", which was commissioned to study WTO and agriculture in Kerala were two reports that were helpful sources. Major clauses and rules of the WTO quoted in the paper have been taken from the WTO's official website which contains its rules and regulations in detail. Due to resource limitations access to informants at the policy levels were restricted, here I used the website of the Ministry of Commerce Government of India which had detailed accounts of India's trade negotiation stances and progress to get details.

### **1.3 METHODS OF SELECTION**

The respondents of this study were the people who have felt the crisis and are presently living it. This includes people who have witnessed a suicide in their family. However, due to the depth of the features of the crisis most people I met and interacted with in the field became a respondent. But the informants on the other hand were chosen through controlled selection and belonged to four broad groups. The bureaucracy comprising of district and national level administrators, elected representatives at the panchayat level of both the village and the district, civil societies represented by NGO's, non-governmental research organisations and social initiative programmes and lastly the local media represented by journalists who have been covering the crisis from the beginning. What I intended to measure from my respondents was the socio-economic effect of the crisis regionally. My informants were instrumental in providing me with the data regarding the nature of the crisis, the role of the state in dealing



with it and also the possible solutions in containing and dealing with the crisis. In all I interviewed 12 people categorised as informants in all groups for this study.

#### **1.4 VALIDITY AND ANALYSIS**

The verification of the data base was done through the triangulation of data using the experience of the respondents with the explanation of the informants with a theoretical backing. The fieldwork in itself was a corroboration of information disseminated by the media which by itself was a dominant popular discourse. Contradicting information was common due to the varied agendas of my informants making triangulation all the more important. My prior knowledge of the spoken language Malayalam minimised translation loss in the interpretation of data and interviews from my respondents.

The two main analytical tools used in this paper are critical theory and discourse analysis. In the theoretical part of the paper which deals with various ideological dimensions of development, trade and globalisation laying emphasis on textual and linguistic units of discourses I have used critical theory to analyse the institutionalised setup of the ideology as well as for an hermeneutical understanding of the meta-narratives of free trade. Discourse analysis was used in the understanding and analysis of empirical data, social relations and institutional setups. The understanding of discourses of individuals and organisations that draw their support from an ideological base required an understanding of the ‘constructive and constructed language’ which was done through a discourse analysis. The two methods however weren’t used specifically; rather it has been used interchangeably.

#### **1.5 DISPOSITION**

The second part of the paper deals with the WTO rules, globalisation and the nature of free trade. The main features of the AoA and its implications on the developing and the under-developed countries are also discussed here. It also touches upon the standpoint taken by the developed countries making free trade more vulnerable. The third part of this paper looks at certain apparent features of the agricultural crisis in Wayanad, in the process looking at the internal factors governing and contributing to the crisis, addressing the changes in the environmental, social, economic and political setups within the district and the flaws that have emerged from this crisis. The third part analyses the larger development responsibilities of

world trade and how it is important for free trade to translate into fair trade for a balanced development rather than for just profit motives.

## **2. WTO, FREE TRADE AND GLOBALISATION**

### **2.1 The WTO and Agricultural Trade**

The World Trade Organisation (WTO) came into being in January 1995 succeeded by the General Agreement on Trade and Tariffs (GATT) through a series of negotiations that ended with the Uruguay Rounds which marked the beginning of the WTO. The GATT was “an unofficial, de facto international organization” formed in 1948 and from then it has been constantly evolving through several rounds of negotiations. The limitation of GATT was that it covered only trade in goods and left out issues of trade in services, intellectual property, agriculture and textiles<sup>1</sup> that began becoming prominent in trade. In principle

... (The) World Trade Organization (WTO) deals with the rules of trade between nations at a global or near-global level. But there is more to it than that... *It's a forum for governments to negotiate trade agreements.* It's a place for them to settle trade disputes. *It operates a system of trade rules.* (But it's not Superman, just in case anyone thought it could solve — or cause — all the world's problems!)<sup>2</sup>

The agricultural trade regulation within the WTO is determined by a body of laws called the Agriculture on Agreement (AoA), which determines rules, tariffs and restrictions in this sphere. In principle, it aims to integrate and cover all aspects of agricultural trade and to establish an order of free and fair trade that is supposed “to result in the affluence of everyone via benefiting from comparative advantages<sup>3</sup> of developing countries and the trickle down effect” (VENRO project, 2004. Pg 5). The World Bank and the IMF also estimated that free market access alone could reduce poverty by 13% by the year 2015. But in reality the empirical data from South Asia and Sub-Saharan Africa reveals steadily

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<sup>1</sup> Understanding the WTO, World Trade Organization. 2005. Available at [www.wto.org](http://www.wto.org)

<sup>2</sup> Ibid emphasis added

<sup>3</sup> Comparative advantage essentially means that one country does not have the ability to produce everything it needs and may specialize in a few goods it produces well. Through this, the country can gain an advantage in production over other countries reinforcing the need and role of free trade.

growing numbers living in poverty and increase in disparities between the rich and the poor<sup>4</sup> (ibid).

The term “world trade” in its present context needs a little redefinition as it supports more than what the conventional term ‘trade’ defines. Trade today is influenced and determined by a number of supporting clauses and factors like environmental standards, labour laws, Intellectual Property Rights (IPRs), Sanitation and Phytosanitation laws (SPS), Technical Barriers to Trade (TBT) etc (refer Appendix II), whose nature is sometimes arbitrary as it can either lead to a healthy or a distorted regime of trade depending on how it is implemented and used. Considering the dichotomies of development patterns in the north and the south, ‘free trade’ determines the fate and functioning of less fortunate counterparts who may not be in an advantageous position to benefit as their infrastructure may not be able to support the changes brought about by the laws. Therefore in developmental terms, trade should also be seen as a role of responsibility and fairness, more than just the exercising of free will and ‘interests’.

**Table 1: tariff reduction commitment list**

	<b>Developed countries</b> 6 years: 1995-2000	<b>Developing countries</b> 10 years: 1995-2004
<b>Tariffs</b>		
average cut for all agricultural products	<b>-36%</b>	<b>-24%</b>
minimum cut per product	<b>-15%</b>	<b>-10%</b>
<b>Domestic support</b>		
total AMS cuts for sector (base period: 1986-88)	<b>-20%</b>	<b>-13%</b>
<b>Exports</b>		
value of subsidies	<b>-36%</b>	<b>-24%</b>
subsidised quantities (base period: 1986-90)	<b>-21%</b>	<b>-14%</b>

Source: [www.wto.org](http://www.wto.org)

The three main clauses that make up the AoA are **market access, domestic support and export subsidies**, which with its sub-clauses try to cover all aspects of agricultural trade. In

<sup>4</sup> Between the years 1980-2000 world prices for 18 export commodities fell by 25%. A significant dip has been reported in the case of coffee (64%), cotton (47%), rice (60.8%), cocoa (71.1%) and sugar (76.6%) in real terms (Krajewski, 2001. Pg 186). Worldwide a closer look at the agriculture crisis reveals that it is the farmers growing these crops that have come to suffer the most. (In the case of India, coffee growers of Kerala and cotton growers in the states of Maharashtra and Andhra Pradesh)

the clause of market access the WTO urged all member countries to reduce their import duties and allow a free flow of agricultural products into their boundaries through the reduction of import duties. It also requires them to convert all its non-tariff barriers (embargoes, import quotas, quantitative restriction (quotas), licensing, domestic support programs, labelling and health standards, technical barriers to trade etc) into tariffs and consequently reduce them. In most developed countries this has led to tariffifications of certain commodities at unreal rates just because the provision was available.<sup>5</sup>

Domestic support, also referred to as Aggregate Measure of Support (AMS) is defined as the total amount of subsidies given by a government to its farmers supporting them in agriculture. The subsidies given by different economies to their farm sector are categorised as trade distorting and non-trade distorting subsidies and it is the trade distorting subsidies that are targeted to be reduced. Article 6(2) of the AoA states the input subsidies given to “low-income and resource poor farmers are exempted from AMS” but the flaw remains that the WTO does not define “low-income” and “resource poor”, depriving countries that can actually avail of this<sup>6</sup>. Subsidies are categorized into different coloured boxes according to their influence on trade; the amber box contains highly trade distorting subsidies that need to be removed, the blue box holds mildly trade distorting subsidies that need to be controlled and the green box has allowable non-trade distorting subsidies. But due to the apparent lack of clarity countries shift their subsidies from one box to the other to make them allowable, though in practice they may remain trade distorting.

The clause of export subsidies do not apply to most developing and underdeveloped countries as they were never rich enough to subsidise their exports. But in many developed nations, exports are subsidised giving their products an advantage at international markets. This automatically negates the market access clause where imports become cheaper than the local products in the regional markets. Developed nations like the Triad countries (North America, EU and Japan)<sup>7</sup> give about 230-350 billion dollars as subsidy to its farm sector annually. (VENRO project, 2004. Pg 26). Table I shows the breakup of each of the figurative commitments of the developed and developing countries relating to the different clauses. Ironically, the base period of reference from when the rates are to be reduced is 1986

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<sup>5</sup> In Japan for example the tariff rate for rice is set at 2000% where as in India the rate is only 100%. This method of tariffication came to be called “dirty tariffication”.

<sup>6</sup> Commission on WTO concerns in Agriculture 2003,

<sup>7</sup> The Triad is sometimes referred to as the Quad if North America is referred to as Canada and the USA.

and if a country had a very high tariff rate even a reduction of 36% would still keep the rate high (for example if a countries' tariff was 1000% a 36% reduction would still keep the tariff as high as 640%).

## 2.2 Trapped in an Unfair Trade

Eleven years hence with the partial implementation of its rules the WTO does not exemplify free trade yet. Developing and the underdeveloped countries still have a long way to go as their biggest problem is the lack of a diplomatic and resource bases to make a stand in the ongoing negotiations. Many third world countries do not have the knowledge and research base to negotiate deals at the WTO levels as most decisions tend to be made outside the formal negotiation schedules and countries with similar interests (the infamous green room meetings) tend to leave out weaker countries depriving them of a fair deal<sup>8</sup>. The scope for diplomatic arm twisting is also high as trade begins to emerge as a major political issue<sup>9</sup> (Chimni, 2006. Pg 17). The WTO in other words lacks a “Deliberative Democratic<sup>10</sup>” character in its functioning which in essence leads to the survival of the fittest (ibid, Pg 17).

“We have agreed to address only the trade distorting subsidies and not the whole gamut of agricultural subsidies...we have seven million farmers in Europe to protect” said Pascal Lamy the Director General of the WTO during a meeting with civil societies in Delhi (Mehta, 2002. Pg 55). What he had in mind was not the fate of 130 million Indian farmers but more the Common Agricultural Programme of the European Union which insulates its agricultural markets from outside competition through support prices and export subsidies. This leads us to the question of why developed countries are reluctant to reduce the protection in their agricultural sector and why poor countries still tax theirs. Hoekman and Kostecki (2001) observe that in rich countries food costs do not dominate household expenditure, the people

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<sup>8</sup> It is only now that countries within the third world have come together forming alliances to make their voices heard (the Cairns group is an exception). This has a level of influence because all the major markets are in the third world.

<sup>9</sup> This analysis is of a South –Centre report: WTO Decision-Making and Developing Countries, Working Paper 11, (2001) seen in the article: *The World Trade Organization, Democracy and Development: A View from the South* by BS Chimni in the Journal of World Trade (2006).

<sup>10</sup> This is a Habermasian concept described as:

“Deliberation requires a dialogue among equal subjects in an open, transparent and participatory way. However, dialogue by itself is not enough. Democratic deliberation is the exchange of information and arguments by advancing, supporting and criticising different proposals and offering reasons for the positions taken. Deliberation is arguing and not bargaining” (Chimni, 2006 Pg 15)

involved in agriculture is about 5% and the sector is more capital intensive as opposed to poor countries where food dominates household expenditure. A major section of the population in the poor countries depends on agriculture and the occupation is less capital intensive. Therefore, if food prices are increased in poor countries it would automatically affect demand for labour, wages in the entire economy (as it is directly correlated with food) and consequently the prices of other tradable goods. Here the industry stands to lose and the farmers gain. Therefore, politically this model is not encouraged. But in rich countries food prices has little effect on rise in wages, prices of non-tradable products and industrial profits<sup>11</sup> making subsidies in the agricultural sector a preferred option. (Hoekman, Kostecki 2001 Pg 211).

Leaving aside inherent structural flaws, the WTO rules even otherwise haven't been properly implemented as protective measures continue to be misused, influencing the attainability of desired results. The local-global market integration has also exposed the unpredictability and the vulnerabilities of the market systems which with limited safety-net measures has come to have dire consequences economically, politically and socially in less developed countries. In most first world countries the major agricultural produce is food crops which it holds a monopoly over and it's only in the third world that cash crops are grown. And the competition is between countries that are simultaneously major producers of the same crop and countries that are not bound by WTO commitments (Joseph & Joseph, 2005. Pg 42).

### **2.3 Free-Trade Regimes**

What is increasingly seen as a threat to the hegemony of the WTO is the emerging bilateral free trade agreements (FTAs) and economic cooperation by countries with similar economic profiles and geographically proximity. The South Asian Free Trade Agreement (SAFTA) among SAARC countries, ASEAN in South East Asia and the new Free Trade Agreement (AFTA) between ASEAN and SAARC countries which will come into effect by January 2007 are all attempts at FTA. Though they are not in the domain of the WTO, they mark a very important step towards multilateral negotiations at a regional level, as regional cooperation helps in a joint negotiation effort as they would be considered according to their economic

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<sup>11</sup> It has been speculated that a 10% tax on agriculture in a poor country would increase industrialists' income by 45% reducing farm incomes only by 2%. And if a 10% is levied on a rich country's industry it would increase farmers' income by 20%, reducing industrialists' income just about 3%. (Hoekman and Kostecki, 2001. Pg 211). This automatically creates interest groups in poor countries and subsidies in rich ones.

zones like the EU rather than individual countries which would increase their bargaining power drastically. But since most of these countries are signatories of the WTO as well they are pressured to clarify the exact intent of these FTAs.

The end aim of SAFTA, however, has remained to reduce regional trade restrictions which have not wholly been successful. Table 2 reveals that not all countries have committed themselves seriously to this, which has led to the prevalence of an uncertain trading pattern within the SAARC. If we take the example of India's trade with Srilanka, for the commodity of pepper it can be said that it is responsible for the negative price regimes of the commodity to a large extent. Srilanka produces an average of 3000 tons of pepper annually but using its tariff-less trade advantage of SAFTA it exports 7000 tonnes of pepper to India. The surplus 4000 tons comes from Vietnam to Srilanka via a free trade agreement between the two countries and Srilanka in turn exports this to India. Vietnam in effect is not a signatory of either the SAFTA or the WTO and this reveals a blatant misuse of fair trade and if Vietnam was to export pepper directly to India the tariff levels are around 60%. The effects of this have been two fold: first, excessive trade in the commodity has reduced the prices of pepper locally and second, the inferior nature of goods traded reduces the premium of locally produced goods when re-exported.

**Table 2: Trade restrictions under SAFTA sensitive list**

Countries	Value of Imports from SAARC subjected to the NL	Value of Exports to SAARC subjected to the NL
Bangladesh	65.0	22.0
India	38.4	56.5
Maldives	74.5	57.6
Nepal	64.0	46.4
Pakistan	17.2	34.0
Srilanka	51.7	47.0
<b>Total</b>	<b>52.9</b>	

Note: NL: Negative List

Source: Weerakoon, Thennakoon 2006 Pg 3920

The AFTA which will come into effect next year needs to be looked at critically as well; especially with reference to the trade of cash crops in Kerala as most ASEAN countries have a similar export list as that of the state. Indonesia and Malaysia are the world's largest

producers of pepper and Malaysia is the highest producer of rubber, the two commodities that Kerala has a monopoly of production in India. Rubber and pepper grown in Kerala accounts for 92.12% and 90% of India's total produce respectively (Mohanakumar, Sharma, 2006. Pg 1553). Therefore in order to gain from FTAs by the formation of trade blocks which could make a difference at the WTO level the ambiguities of regional trade also needs to be addressed sincerely or else the consequences would be similar to that of the WTO.

### **3 WAYANAD AND THE AGRARIAN CRISIS**

#### **3.1 Why International Trade Hurts**

The structure of the agricultural economy of Kerala is different from most other states as more than 80% of the agricultural commodities are cash crops and depend on the domestic and the international markets; therefore, the WTO has had a unique impact in the state. A break down of the figures shows that 45% of the country's plantation crops namely tea, coffee, rubber and cardamom are grown in Kerala. Yet the state level figures reveal only 23% of workforce being involved in agriculture as compared to the national average of 58%. The State Domestic Product (SDP) similarly shows only 15% as compared to the national average of 22% (ibid). Therefore, with the advent of the WTO, experts were of the opinion that Kerala would stand to gain. What further supports this analysis was the fact that 25% of the states NSDP came from remittance from abroad and the prices of cash crops saw a boom in its prices in the mid 90s (ibid).

When the agricultural prices suddenly crashed, people began to sit up and notice the flaws within the WTO and the systems that had led to the crisis. In the case of Wayanad, the primary miscalculations were in the planning where the micro indicators weren't properly considered. Because as compared to the state averages the district was an apparent anomaly. The district holds 12% of the state's agriculture dependent population and has 47.44% of it's population 'directly' involved in agriculture as opposed to 23% state average. 21.39% of the district's income comes from agriculture compared to the state average of 14%. Moreover the concentration of cash crops grown in Kerala are in the mountainous stretches of the Western



Ghats and more specifically in the districts of Wayanad and Idduki, which incidentally shows the highest rate of suicides in the state <sup>12</sup>(ibid).

### **3.2 The Advent of The Crisis in Wayanad**

The nature and effects of IMF and World Bank inspired liberalisation and the advent of the WTO regime has been a much debated topic among many scholars studying the developing world. Its advantages and disadvantages have been highlighted depending relatively on what aspect of it is studied, how it is studied and who is studying it (neo-liberal, post-colonial, post-development etc). But it is unanimously agreed that the effects of globalisation and the WTO on the agrarian sector in India has largely been adverse. The emergence of several unfavourable trends exemplified in the suicide of farmers, increasing disparities between the rich and the poor and fall in prices of many agricultural commodities slowing the already lagging agricultural sector of India are few topics analysed by many to reach such a conclusion.

Since independence, development in the Indian agricultural scenario has never been commendable. Economic planning in India was based on an anti-colonial and socialist model of development where ‘planned industrialisation’ through Import Substitution Industrialisation (ISI) was seen as a prerequisite for a healthy economy (Rao, Storm, 1998. Pg 214-15). Agricultural growth in itself was not given priority, rather as most capitalist and socialist theorists alike would agree it was seen as essential for the transfer of agrarian surplus for the development of industries (Suri, 2006. Pg 1524). Though there were measures taken to improve agricultural yield, little was actually done to bring about any institutional change. The development strategies during this period had what some development economists today call an ‘urban-bias’. They argue that the developmental resources (financial, human and physical) were largely directed to the urban areas rather than the rural areas, resulting in a biased allocation of resources (Rao, Storm, 1998. Pg 214-15). But the protected economy did assure a relatively stable price regime without the degree of fluctuations and vulnerability we see today. Though the green revolution did bring about food security and stability it did not emphasise the development of non-price factors like irrigation, technology, credit and infrastructure.

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<sup>12</sup> In 2003-04 Wayanad witnessed 36 farmers suicides and Idduki 17 (Kisan Sabha, Kerala. 2004)

In the case of Kerala the agricultural sectors' track record has not been very different from the national scenario, though one can say it has witnessed certain changes more than most states, land reforms being one example. Though the plantation sector was exempted from the land reform, in many respects it has been the mainstay of the agrarian sector of Kerala. The sectors dependence on the international market did bring about substantial change in the past as rural development was closely linked to price regimes for the population dependent on the cash crop sector.

**Table 3: % of growth in different sectors of economy in Kerala**

Sector	1965-75	1975-87	1987-1997	1997-2003
GDP	3.12	1.99	6.00	4.77
Primary	2.23	-0.86	4.57	-4.25
Secondary	4.71	1.65	6.31	3.46
Tertiary	4.24	4.06	6.96	9.44

Source: Joseph and Joseph 2005, Pg 46

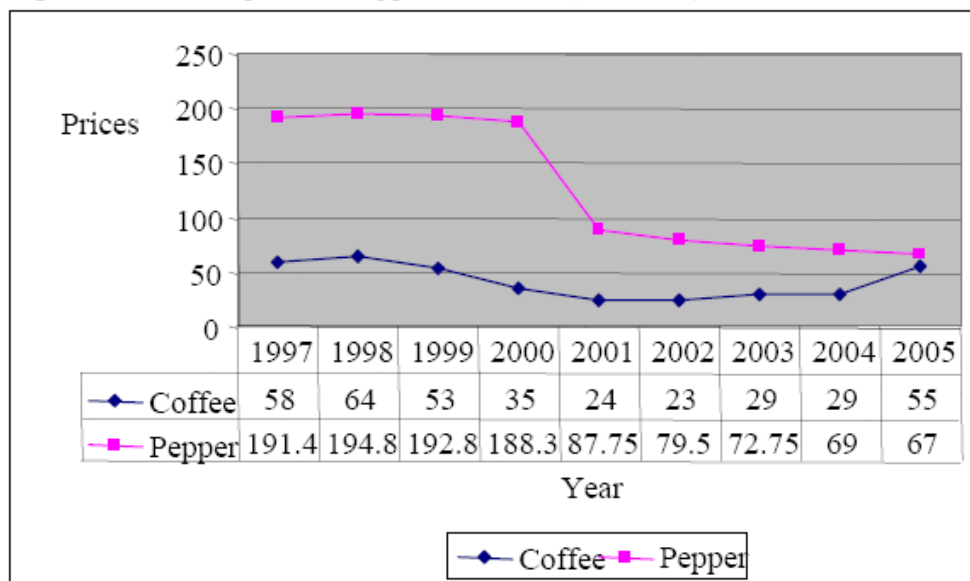
In the early years of implementation of the WTO, cash crops saw a surge in prices never witnessed before (Refer to Figure I). Wayanad whose agriculture sector was dominated by cash crops cultivation saw a sudden boom in its economy increasing the consumer power and the standards of living of the people. This artificial increase in the prices was not proportional to the cost of production of the crops and it coincided with the open economy market expansion which increased the peoples spending options<sup>13</sup>. The credit institutions within the district saw this boom an opportunity to cash in and began making credit more freely available to the people. The agricultural loan ceiling which was only 20,000 rupees per acre went up to 100,000 rupees as available credit. The banks also began providing non agricultural loans more freely to individuals calculating repayment plans based on high agricultural prices. It is in this situation that Wayanad and India on the whole witnessed the sudden fall in the prices of agricultural products leading to the emergence of a severe crisis. What made matters worse was that the fall in prices coincided with climatic change and crop failures on a large scale. People began to realise that they had no way of paying back the loans they had taken from the banks and the banks began recovering revenue in any way possible<sup>14</sup>.

<sup>13</sup> Certain places in Wayanad district witnessed a mass sale of jeeps, the highest recorded in India during this period.

<sup>14</sup> Most of the loans are given on simple interest (where the consequent interest rates are added on the principle amount and not on the pending interest amount) but when the interest amount began accumulating they began giving fresh loans to repay the interest and the old loans in the process compounding the loan (in compound interest the consequent interests are levied on the principle as well as the existing unpaid interest). The other

It is in this situation that Wayanad witnessed the suicide of farmers on a large scale. The suicide of farmers though just as one manifestation of the crisis has brought to the forefront inherent problems of the agricultural sector in the district and state; highlighting the flaws in infrastructure, environment, prevailing agricultural trends and also in the social, economic and political change brought about by globalisation.

**Figure 1: Fall in the prices of Pepper and Coffee (1997-2005)**



Source: Graph made from data collected from the Principle Agriculture Office, Wayanad District. The Department of Agriculture, Government of Kerala

### 3.3 Geographical and Agricultural Trends in Wayanad

Wayanad comprises of only 5.5% of the total area of Kerala, however it is by far one of the most bio-diverse regions in the state. Geographically Wayanad is situated on the windward and the leeward sides of the Western Ghats<sup>15</sup> due to which the district has an altitude variation of 700-2100 meters above sea level, a rainfall difference of 1624-4511 millimetres<sup>16</sup> and three types of soil (laterite, loamy and black) are found in the district. A variation of this nature

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method of revenue recovery is through the eviction of the farmer from the land he has pledged as collateral and auctioning it to get back the amount he owed to the bank.

<sup>15</sup> The Western Ghats plays a prominent role in influencing the climatic conditions in the subcontinent. It serves as a barrier to the South-West monsoon bearing winds making the western coastline one of the wettest region in the world.

<sup>16</sup> The district gets the advancing monsoons during the months of June-September in the windward side and the retreating monsoons of October to December in the leeward side. In terms of volume the advancing monsoons bring more rain than the retreating monsoons therefore giving this huge variation.

would determine the character of agriculture, cropping pattern and types of crops grown in a region as it makes the region prone to both floods and droughts.

Wayanad has a predominant tribal population (37.6% and decreasing). Prior to the colonial period the main form of agriculture practiced here had been shifting or 'slash and burn' agriculture. During the colonial period, the British realising the plantation potential of the region banned shifting cultivation and converted large tracts of land into coffee and tea plantations. In the post-independence scenario, the shortage of food, work and land in Travancore (the princely state that comprised the south and central part of Kerala) led people to migrate to the Malabar region buying land as small and medium sized holdings and settling there. The main motive of agricultural practice in these regions was profit and in some cases to make ends meet. This over the years led to the over exploitation of land and resources without concern for the environment or its replenishment. Over the years due to the negligence shown by the state to the agricultural sector this wasn't controlled or managed.

Most of the major crops grown in Wayanad (shown in table 4) are directly dependent on the international export markets. Coffee and pepper notably take up 32% and 21% of the gross cropped area respectively making them the most grown crops in the district. They depend very much on the international markets as the internal market for these crops in India remains undeveloped. The productivity levels of many of the crops grown in Wayanad (shown in table 5) show much lower yield than crops grown in other parts of Kerala. Coffee is the only exception as Wayanad holds the monopoly of growing the crop in the state<sup>17</sup>. Another interesting feature shown in the data depicted in table 6 is that about 94% of the holdings in the district come under 2 hectares per holding with an average of 0.61 hectares. If we put these three features together we see that because the crops grown here are influenced by the international markets and fluctuating price regimes. Farmers try to maximise their yield through intensive cropping and excessive use of fertilizers and pesticides in cash crop agriculture. Though a more studied method of multiple cropping is preferred for a long term benefit, profit motivated agriculture makes them choose intensive cropping over multiple cropping<sup>18</sup> as it is less profitable and not viable if landholdings are small and getting smaller.

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<sup>17</sup> The productivity levels of crops in India are relatively lower as compared to other cash crop producing countries. If one takes the example of pepper production, Brazil produces 2.5 times India's production, Vietnam 4 times and Malaysia 5 times (Joseph and Joseph 2005 Pg 49)

<sup>18</sup> The intensity of cropping in Wayanad district averages around 175% which means the land is used beyond its capacity taking its toll on production. Why intensive cropping is preferred over multiple cropping is because

But such practices for prolonged periods of time have obviously affected the environment and the yield of crops as well.

The name Wayanad derives from 'vail' and 'nadu' meaning the land of paddy fields. The river Kabini flowing in the northern fringes of the district has made rice cultivation conducive in the region. Alterations in price regimes and intrinsic changes that have taken place in the economy in the past decade have influenced changes in the patterns of agriculture as we see cash crops increasingly replacing food crops on a large scale. The advantage cash crops have over the food crops is that cash crops have the potential of getting a higher price as compared to food crops, cash crop cultivation is less labour intensive, and multi cropping is possible and though inputs are high maintenance costs is low with cash crops. Despite these advantages what further forced a change in cropping patterns has been the shortage of labour and the sudden rise in wages in the state. The rise in wages is generally attributed to the expansion of non-agricultural activities like construction works in other districts of Kerala and Karnataka which has also led to the movement of labour outside the district. It is interesting to note that between the years 1980-81 to 1995-96 the rise in daily wages was 593% and 547% for men and women labourers respectively whereas the overall increase in the price of paddy was only 260% (Thomas, 2004. Pg 175), so most farmers prefer to grow cash crops than paddy as the margin of profit on them is higher.

**Table: 4 Crops, Area and Production in Wayanad**

Sl. No.	Name of crop	Area (Ha.)	Production (MT)
1	Coffee	67429	54650
2	Pepper	42287	12173
3	Banana	11819	80162
4	Paddy	12343	28421
5	Arecanut	8689	4192
6	Coconut*	11098	47*
7	Ginger	4392	21257
8	Vegetables, Tubers	1230	14600
9	Cardamom	4106	329
10	Rubber	6636	6230
11	Tapioca	1964	102609
12	Tea	6492	7334

\* Indicates production in million nuts

Source: Principle Agriculture Office, Wayanad District. The Department of Agriculture Government of Kerala

usually the prices of crops do not fall simultaneously and when a crop price is high the farmer tries to maximize his profit by growing as much as possible. But in multiple cropping the advantages are higher in the sense that it is environmentally better and one crop can sustain a farmer's livelihood during the fluctuation of prices.

**Table: 5 Productivity comparisons of major cash crops cultivated in Wayanad**

Sl. No.	Name of crop	Average Production in Kg / Ha	
		Wayanad	Kerala
1	Pepper	288	319
2	Cardamom	80	215
3	Areca nut	482	1029
4	Tea	1130	1502
5	Rubber	939	1400
6	Cashew	651	760
11	Coconut*	4235	6540
12	Coffee	810	754

\* Mainly grown as multiple crop

Source: Principle Agriculture Office, Wayanad District. The Department of Agriculture Government of Kerala

**Table: 6 size of land holdings in Wayanad**

Category (Ha)	Number of holdings		Area of holdings		Average holding size (Ha.)
	Number	% of Total	Area (Ha.)	% of Total	
Marginal (upto 1.)	129429	<b>83.05</b>	32493	<b>34.38</b>	0.25
Small (1 - 2 Ha.)	17242	<b>11.06</b>	23073	<b>24.42</b>	1.34
Semi Medium (2 – 4)	7276	4.67	18463	19.54	2.54
Medium (4 - 10)	1568	1	8208	8.69	5.23
Large (10 and above)	340	0.22	12261	12.97	36.06
<b>TOTAL</b>	<b>155855</b>	<b>100</b>	<b>94498</b>	<b>100</b>	<b>0.61</b>

Source: Principle Agriculture Office, Wayanad District. The Department of Agriculture Government of Kerala

Another feature of most commercial crops grown in Wayanad is that they are perennial in nature; this means they have long gestation periods (an average of 4-6 years depending on the crop) often referred to as waiting periods before they mature to yield. Farmers therefore cannot decide on what to grow based on present price incentives owing to the fluctuations in prices in the international market which may not be the same in the yielding period. Perennial crops also require specific agro-climatic conditions for growth which if compromised would affect yield and lead to environmental degradation. With the absence of safety net measures like minimum support price and crop insurance especially if land holding is small and intercropping options are limited, they become increasingly vulnerable to fluctuating prices and more prone to the misuse of the environment as they are often forced to plant the crop which is most competitive in the market.

The obvious lack of planning and research & development in the agricultural sector has made farmers face the brunt of a number of problems that could have been avoided. Prior to the WTO regime the markets in India were protected and subsidies were available to support the

common farmer, but with the integration of the markets the infrastructure has not been equipped to meet the new and emerging challenges that have emerged leading to a mismatch in development. For example, the cost of production in agriculture has increased drastically with the increase in wages and reduction of input subsidies given by the government in accordance to the AoA, raising the importance of credit availability for agriculture, crop insurance to protect the farmer against crop failure and a minimum support price against the fluctuating prices. In this scenario what has been observed is that small land holdings have become less conducive for commercial agriculture due to the rising unpredictability and increased risks which farmers may or may-not be able to deal with. In effect, this means that around 94% of the farmers with marginal and small landholdings (refer table 6) of Wayanad stands to suffer as they have not been able to cope up with the change in the agricultural sector.

### **3.4 Environmental Degradation and Livelihood Security**

The ecological base of Wayanad is very fragile as is the case with most hilly and mountainous ecosystems. Over a period of time agricultural land in Wayanad has borne the brunt of inconsiderate agricultural practices as farming communities here had adhered to 'plain land management', which they had hitherto used for the cultivation that was different from the 'hill land management' of agricultural terrain that was required for the ecosystem of Wayanad. This has resulted in environmental degradation; a long term effect of land mismanagement, unscientific cultivation, and uncontrolled use of fertilizers and pesticides manifesting itself in plant disease, reduced yield and natural calamities

Table 7 shows an increase in the area under cultivation of major cash crops in Kerala from the early 70s onwards as the cost benefit ratios began favouring the cultivation of cash crops over food crops as profits were higher. The area under rice cultivation has declined at the rate of 3.79% annually between the years 1983-95 whereas production dropped at the rate of 4.3% during the same period in the state. In the case of tapioca, production declined at the rate 3.8% and the yield marked a decline of 5.55% (Nair, Santhakumar. Pg 315). The environmental consequence of shifting agricultural patterns based on price rather than a studied approach is a very serious concern which has led to an emergence of imbalances.

**Table 7: Change in the area of cultivation of food and cash crops**

Crops	1970-71		1994-95		2002-03	
	Area (ha)	Share (%)	Area (ha)	Share (%)	Area (ha)	Share (%)
Tea	37,422	1.73	34,745	1.55	36,899	1.68
Coffee	30,183	1.39	82,348	3.68	84,795	3.87
Cardamom	48,000	2.22	44,237	1.97	41,336	1.88
Cashewnut	98,960	4.57	103,451	4.62	89,718	4.10
Pepper	117,540	5.43	186,720	8.33	203,956	9.31
Coconut	719,140	33.20	910,963	40.67	905,718	41.34
Rubber	198,424	9.16	443,300	19.79	475,039	21.68
Total	1,249,674	57.69	1,805,764	80.61	1,857,663	83.86
<b>Net sown area</b>	<b>2,165,902</b>		<b>2239405</b>		<b>2190690</b>	

Source: Government of Kerala, Economic Review, (different years) as seen in (Joseph, Joseph 2005 Pg 44)

A substantial part of the catchment area of the river Kabini which flows on the leeward region of Wayanad is where a major part of the district's paddy is grown. This region has an extensive black soil cover which is the dominant soil type here. This soil has a unique characteristic of being viscose when wet and excessively hard when dry, forming cracks determining its water retention properties. In areas with black soil coverage water seepage is very low as it takes a long time for the water to percolate down to the water table, however once the water is absorbed the retention capabilities of black soil is very high as well which helps to stabilize and maintain the ground water level. In paddy cultivation, standing water is required in fields for its growth making water seepage possible in black soil areas. But with the conversion of paddy fields to ginger, banana and coconut<sup>19</sup> plantations, the wetlands of Wayanad are being drained for the cultivation of these crops. Therefore, with shrinking wetlands the ground water levels in the district has also reduced considerably making some areas prone to droughts during the long summer months. Irrigated land in Wayanad covers only around 9770 hectares, which is only 8.3 % of the gross cropped area in the district. This figure is below the state average and national average of 14.4% and 39.22% respectively making most crops in the district heavily dependent on rainfall<sup>20</sup>. These two characteristics of changing cultivation patterns and low irrigation have made this region vulnerable to environmental disasters like drought, which can take a heavy toll on agriculture, partially or totally damaging crops like pepper and coffee in Wayanad. In the case of partial damage the

<sup>19</sup> Most of these cash crops are water intensive though they do not require standing water; therefore groundwater is also used to irrigate them. This leads to the depletion of the water table as well.

<sup>20</sup> The rivers Kabini's full potential hasn't been used in Kerala as the authorities seem unconvinced about its potential use. But in contrast the state of Karnataka on the other hand, into which the Kabini eventually flows has dammed the river and uses its water to irrigate 5 taluks where vegetables are grown even in the dry summer months.



yield recovery period is an average of 3 years and for total damage the recovery period is 5 to 7 years.

The green revolution the world over is characterized by the introduction of High Yielding Varieties (HYV) of crops into agriculture. No doubt this concept has helped increase agricultural production manifold as it was the need of the hour to meet the food security requirements in a country. HYV use in agriculture has also changed its basic characteristic, which now requires high inputs of fertilizers and pesticides, water and also the development of non-price factors like a developed credit system, infrastructure and transportation that was neglected<sup>21</sup>. This made the farmer determine his input levels and infrastructure development based on the price he got for his produce in the market. During the period of boom in Wayanad, farmers began raising the level of inputs in the land as they were trying to maximize their output to get a profit and in the period of crisis the farmers were not able to keep up the levels of fertilizers and pesticides leading to disease and crop loss. The reduction of fertilizer subsidies also played a role in making inputs more inaccessible to the farmer.

High Yielding Varieties do not often have the immunity against diseases like the indigenous varieties do though their yield is higher. Therefore HYV's require higher inputs of pesticides to keep away diseases and fertilizers to compensate the limited soil nutrients. This has led to the overuse of pesticides, which has increased the immunity of phytothora and diseases to the pesticide making crops more prone to failure in Wayanad. Similarly, the excessive use of fertilizers has raised the pH levels in the soil making it acidic, again affecting the productivity. Thus, the uncontrolled use of fertilizers and pesticides has led to the reversal of the intended aim to increase production resulting in a decrease instead.

In the recent past, man-made factors affecting the environment have coupled with a relatively new phenomenon of unpredictable climate change. Climate change has led to the deepening of the crisis through droughts, rise in temperature and erratic rainfall patterns affecting the yield and growth of crops around the world. Some of these factors of change can be controlled by the development of infrastructure and safety-net measures and some cannot. For example coffee yield is determined by a spell of rain before the plant blossoms every year; called the blossom showers; if it's timing is altered it could result in failure of the crop or reduced yield.

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<sup>21</sup> In most cases it was this dependence that tied the farmers to the credit systems and if this was not accessible to the money lenders.

Similarly, in the case of pepper it is the rainfall that helps in the pollination determining its yearly yield. Temperature change again helps in the gestation and the spread of fungal or bacterial diseases in certain crops which if not controlled can cause heavy losses.

The environmental problems Wayanad is facing therefore can be classified into two categories: the first group consists of factors affecting the environment that are a direct consequence of features, which are manmade and are influenced by primary factors like land-use and cropping patterns fueled by secondary factors like markets and price. The second group of factors influencing the environment is beyond the control of man as they are climatic in nature and have to be dealt with through proactive and precautionary measures at infrastructural and policy levels. Environmental degradation is a more physical and a long term reality which needs to be looked at seriously from national and international levels in order to prevent more disastrous manifestations. The difficulty in this is that in the developing and the underdeveloped countries the separation of livelihood and environment is near to impossible as they are interconnected, especially with reference to agriculture and development. Therefore, what is required is a studied and rational pattern of change brought about with the aid of R&D in agriculture and development to protect livelihoods and the environment still remaining competitive at the international level. The pressure from the markets has forced the farmer to increase their inputs and produce more crops leading to the popularisation of harmful agricultural practices in order to meet their survival and market needs which in-turn has adverse effects on the environment.

The need of the hour is alternatives like organic farming that could be made lucrative through proper encouragement and incentives to farmers and developing new markets for such goods, to integrate technology into farming systems to compensate for reduced manpower and to prevent wasteful farming methods through which the cost of production in agriculture can be reduced, helping in making the product more competitive in the international market. But the success of these measures would also require international cooperation to provide technical know-how and concessions for their fair development and competition.

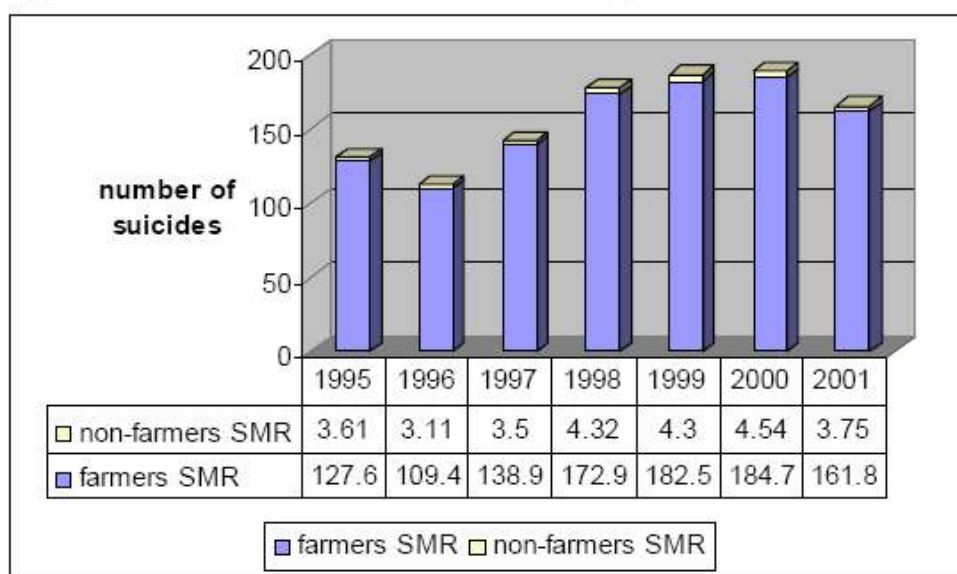
### **3.5 Suicides and Social Consequences of the Crisis**

The suicide of farmers in large numbers in many countries in South Asia has been an alarming phenomenon and it is the most visible social consequence of the agrarian crisis in

the region. A common phenomenon that is observed when studying the suicides of farmers is that the agricultural crisis as such is not something new to the subcontinent, which has in the past recorded one of the worst droughts and famines on earth leading to the death of millions, but its manifestations in suicides are. Karnataka, Maharashtra, Andhra Pradesh and Punjab are the other states besides Kerala, which have reported the suicide of its farmers. Surprisingly, these states are the relatively more agriculturally developed regions in the country.

Kerala in the past few years has recorded the highest rate of suicides in India with figures more than a double the national average. The national rate of suicides in India is 11.2 whereas the average in Kerala is at 27.9<sup>22</sup>. Though this is a cause for serious concern, social scientists claim that the signs and reasons pertaining to this have been visible for a while with the state witnessing rising levels of unemployment and falling agricultural prices affecting both the urban and the rural masses in the state. Figure I reveals that the Suicide Mortality Rate (SMR) among farmers in Kerala are much higher than the non-farmers SMR and in this respect the districts of Wayanad and Idukki has recorded the highest number of suicides in Kerala way beyond the figures recorded in any other district in the state.

**Figure 2: Farmer and Non Farmer Suicide Mortality Rates in Kerala**



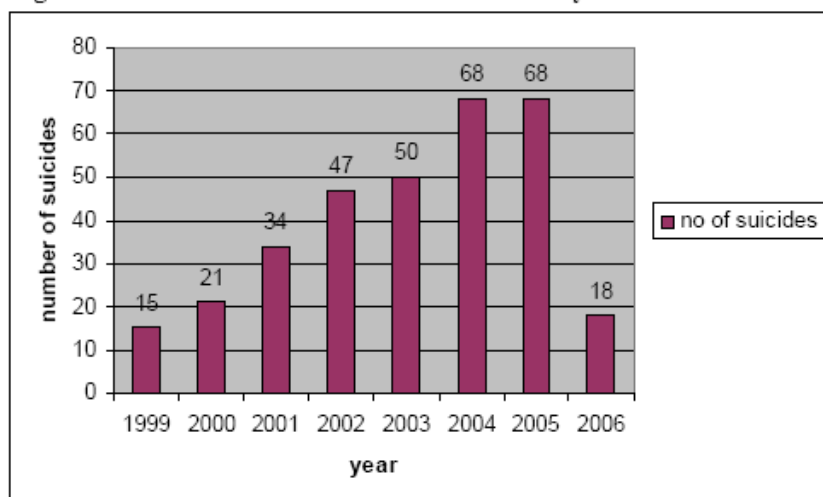
Source: Number of suicide deaths from Accidental Deaths and Suicides in India, National Crime Bureau, Ministry of Home Affairs, New Delhi, various years and [www.indiastat.com](http://www.indiastat.com), and population related data from Census of India, various years (Mishra, 2006 Pg 1568)

<sup>22</sup> Source: The Hindu. 10 November 2006. The average of suicides is calculated on – persons per 100,000

What these two districts have in common is that, they are one of the most backward districts in the state in terms of their human development, their agriculture is predominantly cash crop dominated, depending on the international market for their prices and furthermore the unemployment levels here are on the rise due to the lack of other alternatives to agriculture and the reduced prospects and profitability in the sector.

The data depicted in Figure 2 is the ‘official figures’ of the number of farmers who have committed suicide since 1999 in Wayanad. These figures are grossly unreal as the states method of data collection is based on certain criteria’s to qualify a suicide as distress related farmers’ suicide. In order to ‘qualify’ as a ‘farmers’ suicide’ the victim should first have taken a loan from a nationalised or cooperative bank, second the family should have filed an FIR (First Information Report) with the police following the incident and third an investigation should to be carried out by the agricultural and revenue officers in the region. If any of these ‘criteria’ are not fulfilled the family cannot avail compensation from the state as they are not categorised as ‘farmers’ suicide’. In most cases especially with farmers having small and marginal holdings, access to formal credit systems are low, so debts are usually from money lenders who pressurise farmers to pay high rates of interests, escalating the levels of stress. Therefore though the figures give a rough estimate of the SMR of farmers in the district they are unreal and underrepresented.

**Figure 3: the number of suicide of farmers in Wayanad district**



Source: Graph made from data collected from the District Collectorate, Wayanad District  
\* The data for the year 2006 is incomplete

Suicide is often considered as a highly individualistic act that does not have any single all encompassing explanation to it; though it is broadly seen as a consequence of an individual's inability to cope with sudden 'changes in socio-economic conditions' (Sridhar, 2006. Pg 1559). In his highly regarded work on suicide, Emile Durkheim<sup>23</sup> explains that though these acts are individualistic, they are driven by larger socio-economic pressures that are 'sudden or accumulated' and nothing exemplifies this better than the fall of economic prospects that determines an individual's livelihood. In example of the erstwhile Soviet Union it can be observed that following its break-up, economic instability and certain 'historic factors' in the region saw high rates of suicides in Russia and in some other countries in Eastern Europe. Similar patterns have been observed in the United States where suicide rates were reported to be low during the war years when employment was soaring and increased during the years of Depression when employment was low (Vidyasagar & Chandra, 2004. Pg 4).

The unrealistic price rise of cash crops in the mid 1990s due to the escalation of prices in the national and international markets can be seen as the first impulse to the crisis. This price rise increased the buying power of the common farmers which coincided with the opening up of the Indian economy through liberalisation. This resulted in the creation of more consumer options marking an emerging consumerism trend. The rise in the value of crops and the buying power of the farmers also increased the credit worthiness of the farmer, which made banks and credit organisations give credit options more freely to them pushing consumerism trends even deeper. However, with the fall in prices of crops which coincided with a bout of crop failure and climate change it led to the emergence of a severe crisis which manifested itself in a debt trap and fall in buying power leading to: a) a feeling of bondage that came with the inability to pay off accumulated debts, b) an amplified sense of loss when consumer patterns couldn't be kept up through the loss of buying power and c) a sense of failure and dejection with the loss of crops.<sup>24</sup>

In most rural areas nationalised and cooperative banks are the major source of credit for the farmers and those for whom institutionalised credit is inaccessible resort to money lenders for their needs. Though the proportion of people borrowing from money lenders in Kerala is smaller, the exorbitant rates of interest and the mounting pressure to repay them make people

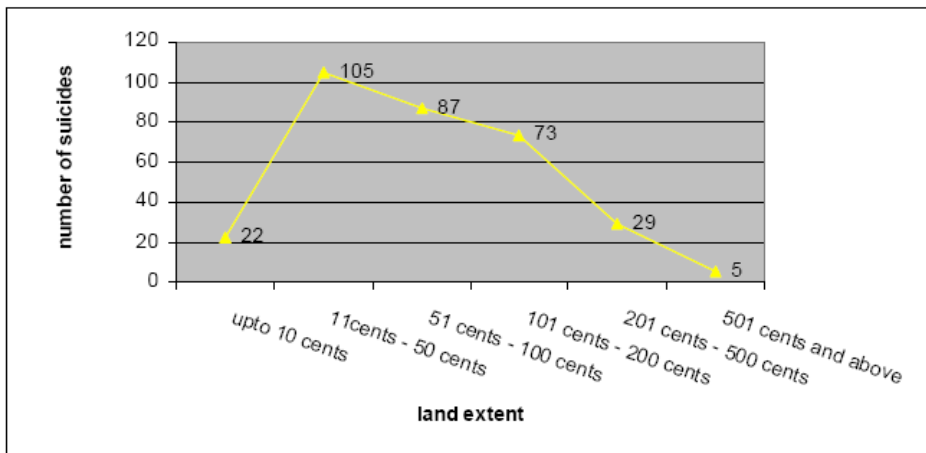
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<sup>23</sup> Emile Durkheim (1966) *Suicides: A Study in Sociology*.

<sup>24</sup> Mental depression from loss in farming is not unique to any country as similar patterns of suicide were noticed in the UK during the Bovine Spongiform Encephalopathy (BSE) in 1998 where there was an average of 2 farmers' suicide per week. (Vidyasagar & Chandra 2004. Pg 5)

in the clutches of the money lender vulnerable to suicides. When the prices of agricultural products are high, the credit worthiness of the farmer multiplies as repayment ratio for a loan increases as returns are calculated based on the prevailing prices of the crop, but with the fall in prices the farmer is unable to repay the loans taken pushing them into debt. In most cases it has been noted that if the prices had stayed the same as at the time of borrowing the rate of repayment would have been punctual and guaranteed. But with the emergence of the crisis, the institutional credit systems were not very different from the moneylender when it came to revenue recovery as they began pressurising people to repay their loans or lose their mortgaged property. (Mohankumar & Sharma, 2006. Pg 1557)

**Figure 4: Farmers suicide by size of land holdings**



Source: Graph made from data collected from the District Collectorate, Wayanad District  
 \* The data for the year 2006 is incomplete

The sections most affected by this socio-economic change were the small and marginal land holders who considering their limited resources felt the tightening of the crisis instilling a sense of helplessness. But during the earlier price fluctuations that were recorded in the mid eighties the consequences weren't as severe as this recent crisis. The most evident socio-economic change that has taken place over the years is the reduction in the size of land holdings as a result of the narrowing of joint families into nuclear families. Wayanad being a zero industries area, the expansion options to non-farm activities have been limited, therefore with each new generation staying back in agriculture as an occupation it leads to the reduction in the size of land holdings usually from small to marginal ones. The negative effects of this is that in a joint family system the stress sharing base is wider as there are more members with responsibility per household reducing the impact of socio-economic shocks. On the contrary, in a nuclear family when faced with economical change the levels stress is not shared leading

to increased psychological hardship for the farmer making them prone to extreme steps like suicides especially when change is hard to foresee, associate with and understand.

Globalisation and the increasing social stress levels are often studied more in urban contexts but evidently they have had equally harsh repercussions in rural areas. In rural areas change is often considered harder to perceive and understand due to the existence of more rigid and deep rooted social, political and economic norms. The factors of change that comes about in the context of limited understanding is often marked as an unseen and unperceivable threat that increase levels of stress as perceptions haven't expanded with the compressing of 'space and time'. With the emergence of the WTO hegemony what has not been understood by many is the changed role of the market systems, its realms of influence and the effects it has on their lives. Both consumerism and increased buying power are the consequence of the same effect of the expanding markets, but if one develops disproportionate to the other it brings out a sense of deprivation and loss. A large portion of the loans taken for non agricultural activities is often for dowry, medical reasons or educational expenses, of which some are necessary and the other is morally avoidable but socially not<sup>25</sup>. With a substantial increase in the standard of living throughout the state even access to basic necessities which are often considered 'entitlements' have become expensive and credit is the only means in times of necessity, but when that is not accessible the alternatives are often harsh. In both cases the consequence is indebtedness<sup>26</sup>.

### **3.6 The State and the Crisis**

The persistence of the crisis without an appropriate solution for the past 6 years or so definitely questions the states ability and capacity to deal with it. Administratively, the first flaw is that the state has been 'reactive' in its dealing with the crisis rather than taking 'proactive' measures to prevent the deepening of the crisis. Proactive measures would mean

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<sup>25</sup>Due to the prevailing crisis in Wayanad most businesses and allied activities in its urban centers have come to a stand still. Most towns seem to have been stuck in a timewarp with no new developments taking place. The only new establishments seen emerging here are jewelry stores which point to an evident demand for jewelry which is often given as dowry.

<sup>26</sup> The question of micro credits is often raised in this respect as accessible credit to rural masses, but the short comings of micro-credit is that the amounts are often too small and the period of repayments are too little for it to make any impact on capital accumulation. However, with the prevailing conditions in Wayanad civil societies like *Kudumbashree*, SREYAS and INFARM have encouraged micro finance that presently helps many families to survive as it provides for small initiatives and immediate expenses.

anticipation of problems that could emerge and planning ahead in the time of crisis to prevent its deepening and to work towards a possible solution. India has a strong bureaucratic way of functioning that involves a long string of protocols by which prompt decision making and its implementation are made difficult. During the era of ISI the bureaucracy came to wield a lot of power owing to the nature and functioning of a closed economy. In the post liberalisation scenario however, this system has come to be detrimental to the administrative setup of the state as the basic structure of the economy has undergone a metamorphosis redefining its role and functioning.

At the policy level considering the variations at the national, state and the sub-state levels in terms of resource maps, geographical variable and climatic conditions, a bottom-up method of planning rather than the existing top-bottom method of implication has appeared to be necessary<sup>27</sup>. In the case of Kerala as well for a long time it has been hailed as the perfect model for third world development with its high human development indicators as it has in the past made considerable advancements in its health and education sectors through a left initiated 'welfare state model'<sup>28</sup>. However, with the liberalisation of the economy, this model of development has increasingly become irrelevant as evident in the rising levels of unemployment and other social problems in its under-industrialised economy though initially it was thought that it would reduce the impact of globalisation. What the state lacks presently is a conceived plan that takes into account its changed role and new responsibility reducing the ambiguities and inconsistencies at the policy and implementation levels.

### **3.7 Market Integration**

It can be said that Indian agriculture is one of the most market unfriendly spheres of its economy. The reason for this has been an underdeveloped market system that has hindered the development of a trade and commerce friendly agricultural environment. One of the main features of a protected economy is the assurance of a market for the goods that is produced internally, minimising the levels of competition from outside. In such a scenario a sudden opening up of an economy without the development of related marketing infrastructure,

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<sup>27</sup> Agricultural policy is in the jurisdiction of the central government and the implementation is done by the state governments in its various districts without taking into consideration the regional differences. However, policy making at the state and district levels would have been more effective to deal with region specific problems.

Wayanad, which, is geographically and economically different from the rest of Kerala and way different from the rest of India needs specific planning to deal with the prevalent crisis.

<sup>28</sup> More commonly known as the Kerala Model of Development, this model



affects a country's ability to compete fairly in the international markets, which in turn affects the producers. Therefore, the integration of the market to the producer is important at two levels, one, at the infrastructural level through a developed market system and two, at the cognitive level where the producer knows the functioning of the markets and participates in it.

A sound, developed and integrated market system starts from the very bottom of the production chain where the primary producer understands the influences and the functioning of the market. An understanding of the markets has an effect on the efficiency and the quality of production as the producer is aware of the demands of the market and consequently controls his supply, automatically preventing wasteful and harmful farming methods and thus minimising the damage on the environment. In the case of Wayanad, it is the lack of understanding of the market systems that has led farmers to grow crops that have a fair market price at the time of sowing but may not have so in the post-gestation period making it a gamble. The lack of awareness of the markets has also hindered crop specialisation and value addition through which the benefits of 'comparative advantage' as advocated by the WTO is not possible.

The development of markets also needs change at the infrastructural level where products can be brought for a minimum threshold price at the time of crisis and a fair price when the markets are doing well. In this respect, a marketing platform is essential for the procurement, grading, standardisation<sup>29</sup> and storage of crops, which the small scale farmer may not have the resources and the know-how to have. This is essential for the quality control of a product, which measures like SPS and TBT try to do at the international trading level. Market infrastructure is also important to make a primary produce more competitive in the international market through value addition. Value addition, which has the capability of increasing the worth of primary products often cannot be accessed by the small farmers due to limited resources or lack of related industries [But again the problem of 'tariff escalation' (refer appendix II) also poses the problem of value-added products not being able to access the international markets]. The irony of the Indian markets is that in-terms of trade the entire developed and the developing world looks at India as a potential market, but the case with

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<sup>29</sup> These methods are important to keep the 'premier' of a crop in the international market. Due to stiff competition a crop could have a price significance according to the region it is grown. Malabar pepper is one such example. However, the premium of the Malabar pepper is lost today due to 'dumping' of inferior quality pepper from Srilanka and Vietnam into India which is then mixed with the local pepper before being re-exported.

most cash crops grown in India is that they don't have an internal market in India themselves (barring rubber). So in a scenario where primary products are exported, value added outside the country and imported back through multinational companies it would be an important step to develop markets internally<sup>30</sup>.

#### **4. THE CENTRALITY OF TRADE IN DEVELOPMENT**

In today's neo-liberal world the old concept of a 'protected market' can be more detrimental than beneficial to an economy's growth due to the inter-dependency brought about by globalisation. In earlier periods protection of markets was deemed necessary in order to safeguard regional interests of certain groups and commodities for their development shielding it from external competition. A well functioning market system according to Amartya Sen is essential for freedom and the development of an economy as they (a) provide the opportunity of transaction and the curbing of it through restrictions could lead to the compromise of certain freedoms and (b) they help in the expansion of income, wealth and economic opportunities and arbitrary confinements at a policy level could be as detrimental as much as the absence of a market system itself (Sen, 1999. Pg 25-26). Considering the well known and least acknowledged fact that the market system is far from perfect it is also very important to keep a close eye on its functioning. Adam Smith noted that market signals could be misleading and could result in the wastage of capital, misguided and selfish pursuits by various interest groups and wastage of social resources<sup>31</sup>. From the more recent examples there is no doubt that certain groups are at a natural disadvantage of being vulnerable or unable to participate in the functioning of the market system. In this case, it is the responsibility of the state to protect its citizens through the provision of welfare (non-marketable public goods) and just economic policies that are not influenced by external factors. Market systems therefore, in theory are important to private goods (clothing, leisure, cars etc) and should have a reduced role in the sphere of public goods (welfare, capabilities and entitlements, environment etc) (ibid, 128).

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<sup>30</sup> Coffee is the perfect example of this: most coffee grown in India is for the export market as Karnataka and Tamil Nadu are the only states in India where coffee is consumed on a large scale. It is estimated if every person in Uttar Pradesh drinks one cup of coffee a day there won't be enough coffee in India to export. It is also a well know fact that coffee is the second largest commodity traded in the international markets after oil and only 1% of the profit made actually go to the primary producer.

<sup>31</sup> Jeremy Bentham criticised Smith for his interventionist logic as he believed that the 'markets should be left alone' to find its own level (Sen, 1999. Pg 124)

The Ministerial Declaration of Doha (which is considered to be the ‘development round’ of the WTO) emphasizes in its preamble:

“International trade plays a key role in the alleviation of poverty. We recognize the obligation to insure that all our people may benefit from the increased opportunities and welfare gains generated by the multilateral trading system”<sup>32</sup>

This obligation of development is also emphasised in the Declaration on the Right to Development (UN General Assembly 1986), which affirms that “States have the duty to cooperate with each other in ensuring development and eliminating obstacles to development. States should realize their rights and fulfill their duties in such a manner as to promote a new international economic order . . . as well as to encourage the observance and realization of human rights” (Chimni, 2006. Pg 26). Therefore, though not a development organization, the WTO has a definitive and determining role to play in international development. What makes agricultural trade so important is the fact that over 66% of the population in most developing countries depends on agriculture for their basic livelihood and in this scenario it is very important that trade be not just free but fair as well<sup>33</sup>.

One of the main functions of the recently failed ministerial conference in Geneva (in July 2006), which was part of the Doha round of negotiations was to ‘rebalance’ the ‘imbalances’ of the Uruguay round of negotiations that began emerging once developing countries started implementing the initial agreements of the WTO. Though development was the aim, many countries were reluctant to change or amend their stance as they were more worried about losing their trade advantages rather than implementing development commitments. This is central to why the Doha round failed. The main reason for its ‘failure’ was the disagreement within the WTO G6 countries (the EU, USA, India, Brazil, Australia and Japan) over the liberalization of the farm economies. The major roadblock has been over US’s stance on reducing farm subsidies in the developing world <sup>34</sup> which hasn’t gone well with Developing countries or the EU. The major ideological difference is that ‘development’ and the ways and means to it has been diverse and aimed at differently in many countries and the varying contexts they are used. The point-of-view taken by the US (and earlier by Brazil who has now

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<sup>32</sup> Commission on WTO concerns in Agriculture 2003,

<sup>33</sup> Commission on WTO concerns in Agriculture 2003, Pg 56

<sup>34</sup> Quoting the EU Trade Commissioner Peter Mandelson “ if the US continues to demand dollar-for-dollar compensation in market access (cutting tariffs) for reducing domestic support, no one in the developing world will ever buy that and the EU will not either” (Financial Times 25 July 2006)

sided with the developing countries) is that of ‘comparative advantage’ through tariff reduction and making food exports cheaper. But in a country like India development would mean being able to keep subsidies and reducing the protection of rich countries<sup>35</sup>. An issue that had taken a strong discourse in trade recently in this regard has been the ‘Special and Differential Treatment’ (SDT) clause which applies to developing countries and under-developed countries to help them equalize the levels of disparity in their development and trade through concessions (Khor 2006 Pg 4659). On these lines many developing countries have proposed the making of a ‘Livelihood Security Box’ which “would include measures that would provide market access for the crops produced by low income and resources poor farmers with higher levels of domestic support ...keeping with the Article 6(2) of the AoA”<sup>36</sup> (refer to page 12) This reemphasizes a major point that the developing countries depend heavily on the developed countries for their development in this globalised and integrated world.

## **5. CONCLUSION**

In order to analyse the role of the WTO and its effects on the agriculture sector in Wayanad, this paper had touched upon: the nature of agricultural trade as controlled and determined by the WTO and its AoA by looking at its various clauses, its significance and the consequence of their unfair implementation that has led to the fall in the prices of primary commodities in the third world, the nature of the prevailing crisis in Wayanad and how incompetence and the lack of infrastructure and development within the sector has led to the deepening of the crisis and last how trade and its changing discourse correlates with development to make ‘fair trade’ an essential part of ‘free trade’.

In conclusion, it appears that the concept of free trade is still premature in its ideology and practice due to the imbalances between various social, political and economic issues, which are magnified with the existing dichotomies between the developed and the undeveloped or developing. If one looks at the example of regional trade and its relative success (the EU and the ASEAN and not the SAARC and NAFTA) they appear more successful than world trade where members are more unequal in-terms of resources and political power. In order for trade

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<sup>35</sup> The EU has a similar stance for a different reason altogether. In poorer countries it is the question of livelihood whereas in richer countries it is the question of political power and farmers support. This is reflected in the statement of the EU trade minister who says “the fear from the French farmers is stronger than the ambition of the European retailers”. (ibid)

<sup>36</sup> Commission on WTO concerns in Agriculture 2003, Pg 56

to emerge “free and fair” the main criteria’s required at a regional and global level are ‘change’, ‘aid’ and ‘leniency’. *Change* is required at the internal levels in basic infrastructure like transportation, technology, market structures and communication to raise the efficiency of production and help in fairer allocation of resources for the building of an environment conducive, beneficial and receptive to trade. Externally, the more developed countries have a moral obligation to prevent trade distortions through arbitrary implementation of rules that hinders trade in order to *aid* countries with their development which would help them meet the Millennium Development Goals proposed by the UN. The Millennium Development Goal aims to halve poverty by 2015 and the total aid requirement for this purpose is 120 billion dollars annually which is only half the total amount of subsidies given by OECD countries to their farm sector (230-350 billion dollars) (Sachs, VENRO 2004). Steps like subsidy reduction for example could help developing countries make their products competitive in the international markets helping poverty reduction by increasing livelihood security. The gap between the developed and the developing countries in terms of their development and economic advantages calls for *fairer* WTO rules considering their disadvantages. But with the completion of the grace period for the implementation of laws under the Uruguay Round, many countries have come to realise the loopholes in the present parameters that are leading to a crisis rather than development and the need for provisions like a more reliable ‘Special and Differential Treatment’ law and ‘livelihood security box’ for a more balanced development in the global South. The presently stalled Doha Round of negotiations is a sign of pressure in the developing world where the states are forced to make a stand to prevent their countries from economic disasters. Though many countries like the US consider it a failure, countries like India, on whose account these talks failed, consider it a new opportunity to rectify the flaws and head for a fresh start.

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## APPENDIX I:

Example of a Case study Questionnaire used for interviewing the victims of suicide:

**1. Name of interviewee:**

Chinnamma

**2. Age**

49

**3. Victims name, age and relationship to that person:**

My husband Joseph committed suicide 2 years ago by consuming poison he was 50 years old then. I wouldn't say he had a drinking problem but he used to consume alcohol.

**4. How many members are there in your family and what do they do?**

I have a son of 25 years of age he drives an auto-rickshaw and one daughter looking for a job in Hyderabad; she is qualified as a lab technician and is presently unemployed. I also have a daughter who is married.

**5. Sources of income**

We have a piece of land and when I find work I work as a manual labourer

**6. Amount of land and what is grown on it?**

We have a piece of land about 80 cents (0.8 acres) on which we grow pepper and coffee before they were destroyed by disease, now we are again trying to grow something on it. But this time we are thinking of growing rubber, it is the only product with a decent market price now

**7. Do you have any debt and how much is it?**

We have a loan of about 1.25 lakhs which I have to repay

**8. What are the sources of your credit?**

I have a loan of 15,000 rupees from the Society Cooperative Bank in my husband's name, 25,000 rupees in my name for the Canara Bank, and about 75,000 + rupees from various other sources for very high interest rates (somewhere around 30%)

**9. Why did you take that loan?**

We did take some money for our agriculture but big amounts were for dowry of my eldest daughter who is married and for our kid's education. We went to private money lenders because we were desperate and wanted the money quick

**10. Did you receive any compensation from the government?**

After my husband's death the state did give us a compensation of 50,000 rupees after much running around and begging officials for it and it was with a lot of trouble that I finally got it.

**11. Are you involved with any micro-credit schemes?**

I am a member of a government initiated micro-credit scheme called *Kudumbashree* where I put in 40 rupees a week for a saving

**12. Do you work outside your land?**

Considering the crop failure there is no work on my land on most other farms in the area so work is hard to come by but when there is work I try to get it

**13. Do you have any other sources of income?**

I have a milking cow and 3 goats which I bought using a micro credit loan but most of the money that I earn from it goes in repaying the micro credit I took

**14. What do you see ahead?**

The government first said it would waive off the loans of the family who are a victim of suicide by then again they changed their statement to "only loans in the name of the person who has committed suicide" as so even if they waive it I'm still in big debt...and my loan can be waived only if I take my life

## APPENDIX II

*Glossary of technical terms and abbreviations used in this paper pertaining to the WTO*

**Technical Barriers to Trade (TBT):** regulations, standards (including packaging, marking, and labeling requirements), testing and certification procedures, and other non-tariff barriers that can create obstacles to trade. This applies to both industrial and agricultural products.

**Sanitation and Phytosanitation rules (SPS):** they are technical barriers on plant and animal product imports to maintain Human health safety standards. This like the TBT can be arbitrarily used to distort trade

**Tariff escalation:** in the case of some commodities in a value added has a higher tariff rate compared to the same product in its primary form. (for example: Coconut will has a lower tariff than coconut oil). This could affect another country's value addition process

**Intellectual Property Rights (IPR):** a set of law that protect the products of the 'intellect' against replication and unauthorised use. This could be used for technology, technical know-how and in the field of agriculture processing technology and value addition. The most common way of safeguarding IPR is patenting.

**Dumping:** It is the selling of a commodity below the cost of production in another country, in most case to get rid of surplus. This in effect means unfair competition and also has the scope to depress regional markets

**Special and Differential Treatment:** "The WTO Agreements contain provisions which give developing countries special rights. These are called "special and differential treatment" provisions. The Ministers in Doha, at the 4th WTO Ministerial Conference mandated the Committee on Trade and Development to examine these special and differential treatment provisions". ([www.wto.org](http://www.wto.org))

**Livelihood Security Box:** right to impose quantitative restrictions on the import of agricultural commodities that come as a threat to the livelihood of certain sections of the economy especially the ones who cannot protect themselves and safeguard their on interests.

**Dirty Tariffication:** During the process conversion of non-tariff barriers to tariffs many countries placed their protective tariffs at very high and unreal rates just because the provision allowed them to do so in the process negating the whole purpose of tariffication

**Cairns Group** Formed in 1986 at Cairns, Australia it is a group of countries who are major food exporters from both developed and developing countries: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, Thailand, South Africa, and Uruguay. They formed to stay away fro the subsidy wars of the USA and the EU

**Base period:** the period from which the tariffs are considered as the base from where the reductions have to start.

**AMS:** Aggregate Measure of Support

**ASEAN:** Association of South East Asian Countries

**SAARC:** South Asian Association for Regional Cooperation

**FTA:** Free Trade Agreement

**SAFTA:** South Asian Free Trade Agreement

**OECD:** Organisation for Economic Cooperation and Development

Source: [www.wto.org](http://www.wto.org).

<http://www.ers.usda.gov/Briefing/WTO/Glossaries.htm> (United States Department of Agriculture)