FACTS against MYTHS

VIKAS ADHYAYAN KENDRA Vol VII # 5/2001 INFORMATION BULLETIN

Prescription for TNC Takeover of Indian Agriculture:
The Myths Behind the Agreement on Agriculture (AoA) – II

"...if the small farmer is no longer viable, let him disappear...",

Mr. Jakhanwala, Secretary, Ministry of Food and Civil Supplies.[1]

COMMENT

The Agreement on Agriculture (AoA) being introduced globally will drastically transform Indian agriculture. It stipulates that free trade and market alone will take care of concerns like food security. In this way, the WTO's free trade regime will dismantle the safeguards that India and rest of the South has evolved for providing food to its citizen. But by allowing mega agri-business TNCs and trading blocs under a system policed by WTO to take over Indian agriculture, India is being forced to stand by and watch as its agricultural system collapses and the very basis of food security destroyed. Free trade in food and agricultural commodities does nothing to further the survival of farming communities in India where they form the backbone of the economy. All that the AoA will be to eliminate only the hungry and not hunger; the small and marginal farmers and not unsustainable agriculture that industrial agriculture is all about.

Yet, despite the inevitability of this threat the government knowingly has carefully toed the prescription of the WTO and its Indian collaborators the private sector to corporatise Indian agriculture. The aim is to convert agriculture into an industry and as a 'food factory'. The CII (Confederation of Indian Industry), ASSOCHAM (Associated Chambers of Commerce & Industry) and FICCI (Federation of Indian Chambers of Commerce and India) are supporting their demand. According to these apex bodies of industry such a move would reap the country untold benefits. The government too has supported the move providing further incentives to strengthen this process, in the recent Central Government Budget as well as in the latest Exim Policy. According to Mr.Jakhanwala, Secretary, Ministry of Food and Civil Supplies, "We cannot produce more through increased equity. Let more food be produced in any mode. Then, separately, let poverty be removed. We have to separate poverty alleviation and food security from productivity increase'. He justified the transfer of resources from small holders to corporations and industrialists on grounds that "higher production needs inequity because larger farmers are more efficient"[1].

To legitimise and provide some semblance of respect to this biased demand the ASSOCHAM has even set 2000 as a target for food crops. In a report, 'Strategic Plan for Indian Agriculture Sector', it has spelled out a series of measures to boost food crop production to 500 millions tonnes, including modifying land lease norms, transferring irrigation management contracts to the corporate sector, and removing trade barriers. Further, in collaboration with the British consultancy firm, McKinsey India, CII has highlighted the enormous potential of factory farming. In its report, 'Food and Agriculture Integrated Development Action Plan', CII dwells extensively on the massive profits it seeks in packaging and exporting agricultural commodities e.g. wheat flour, and pulses.

This over-enthusiastic response to the concept of factory farming emerged in the wake of the remarks of the WTO that Indian agriculture continued to be untouched by the economic reforms: "There has been some liberalisation but there has been no change in the structure of agricultural incentives and subsidies". In response, the Indian industry on its part called for a complementary approach between private and public sector investment. In Karnataka, for instance, Government infrastructure support for food processing units includes power, water, telecommunications, infocentres, cold chains, and analytical labs, warehousing, grading and market yards. Fiscal support includes soft loans, insurance cover, moratorium on long term credit, and benefits such as developed land, and tax and tariff cuts for export-oriented units; while additional financial incentives include 8 to 15 years sales tax relief, excise cuts, lower power tariff and free off-season supply and possible legislative backup for captive and contract farming. Food parks along the lines of technology parks have been proposed in West Bengal and Kerela. These manoeuvres to transform Indian agriculture are part of the introduction of free trade policies in agriculture with AoA having a predominant role. The creation of integrated markets is vital to globalisation and the corporatisation of agriculture is a major first step in this direction. Trade policies of especially the US, for instance, has been at the helm in promoting globalised monopolies through such trade agreements as the AoA. With its encouragement, food TNCs has controlled agriculture locally and globally. Small farmers the world over are paying the price for this corporatisation. They are treated as dispensable and this dispensability of the small farmer is being globalised through AoA.

The AoA model is reminiscent of the process of forced commercialisation in Indian agriculture during the colonial era when small farmers were incorporated into a global economy through a process of debt engagement or through contracts of purchase where the ultimate buyer (say, for example, the opium or indigo planter). The only difference today is that the process is occurring in an already capitalist agriculture, which is highly sophisticated in terms of techniques and production organisation. For that reason, it also bears similarity with the pattern of organisation in contemporary major industrial sectors in the North. Here mega TNCs – like Nike or McDonald's – organise a complex but disparate and shifting network of affiliated producers, sub-contractors and distributors, who all adhere to its brand standards. The entire process is described as: "Farmers can see themselves being reduced from their mythological status as independent producers to a subservient and vulernable role as sharecroppers or franchises. The control of food production, both livestock and crops, is being consolidated not by the government but by a handful of giant TNCs. While farmers and ranchers suffered three years of heavily depressed prices at the close of the 1990s, the TNCs enjoyed soaring profits from the same line of goods. Farmers find themselves surrounded on both sides – facing concentrated market power not only from the companies that buy their crops and animals but also from the firms that sell them essential inputs like seeds and fertilisers."

In the meantime, national policies over the years have achieved a massive transfer of resources and incomes from the rural to the urban areas – effectively through heavy taxation of farmers. Right since the imposition of SAP there were indications of how a hidden dis-investament in agriculture was built into SAPs through which rural production systems were being disinvested of human and natural capital.[1] Financial investment in the agricultural sector by agribusiness and TNCs has created new forms of dispossession for small and marginal farmers and landless farm workers. The embodiment of labour in agricultural produce has been devalued by either treating family farm labour as of zero value because it is free and by paying farm workers much lower wages that the minimum survival wages. As a result, peasants are being pushed off the land. Their uprooting is being facilitated by these very policies that transfer rural capital from farming communities to private investors. The migration of both capital and labour from agriculture is the real disinvestment in agriculture.

Over the past few years, the Committee on Agriculture under the WTO has been considering various suggestions for changes in the AoA with a view to making agriculture more market friendly. Negotiations will continue in 2002 the Declaration adopted after the Fourth Ministerial Conference of the WTO held recently at Doha having given its green signal. Disagreements between the rich North and the poor South on agriculture were one of the main reasons for the dramatic collapse of the previous Ministerial meeting at Seattle. It is necessary that the South must avoid being persuaded in entering into new obligations that would entail further liberalisation of their agriculture which would only benefit the mega TNCs. Otherwise the South is bound to find itself in the same situation as faced, for instance, by the American colonies under the British Navigation Acts, justified by Adam Smith in his Wealth of Nations, that helped mercantilist Britain to colonise North America. Instead the South must focus on the changes in the rules it requires to benefit fully from agricultural trade. Some countries of the South are also calling for agriculture to be taken out of the WTO. "The WTO is a totally inappropriate institution for democratic decision making and policy formulation in important issues such as food sovereignty, health and environmental legislation, management of genetic resources, water, forestry and land, and the organisation of agricultural markets".

MYTH: ***As a definite advance over the previous Uruguay round the AoA is a boon to Indian agriculture vis-à-vis its food security needs.***

FACT: As shown in Part I (of this publication) it is now clear that the AoA measures have protected only the farmers and the farming systems of the North. For instance the AoA lays out rules to dismantle barriers to trade by reducing tariffs and exposing small farmers in developing countries to competition from the entrenched corporate interests. It prescribes a model for agriculture that has basically only one dimension: increasing agricultural production for exports, importing what cannot be produced without tariff protection or subsidies to producers. The model is imperfectly articulated and includes various exceptions that have proved to be more useful to the North than to the South.

In the preamble to the Agreement, food security is mentioned as one of the "non-trade concerns" of agriculture policy. The proponents of the Agreement, which include the US and a select band of countries engaged in agricultural exports have argued that food security would be enhanced if greater liberalisation of agriculture in all countries occurs. They have maintained that market access gains afforded the South, through reduced tariffs in the larger markets in the developed world, were also expected to raise its foreign exchange enabling them to buy what food they needed from the global marketplace.

As noted earlier, the AoA has more special and differential treatment provisions for rich countries than for the poor. It includes several so-called boxes that disproportionately favour the North. "Boxes" are categories of exemptions from the AoA's reduction rules. In contrast, the so-called special and differential provisions for the South have failed to offer the flexibility it needs to address its food security needs.

The FAO study (Cf. Part I) showed that despite record low prices the food bills of the South increased by an average of 20% between 1995 and 1998. At the same time, world-wide commodity prices have found new lows, damaging the abilities of countries to pay for imports by reducing their capacity to earn foreign exchange. Output levels even within specific countries have fluctuated during the implementation period, but most of the South remain locked into a trend of growing dependency on food imports while their revenues from commodity exports decline.

In practice, the Marrakesh Ministerial Decision on food security has been meaningless. In a year of record high prices (1996) with cereal prices up 40% over the previous year, the WTO Committee on Agriculture took the advice of the IMF and refused to implement the Decisions. The IMF argued that the price spike could not be directly attributed to the AoA and that therefore members were not responsible for implementing the decision[1]. Accordingly, the WTO reneged on their commitment to aid poorer countries experiencing hardship under the new trade rules.

The other deviation from the AoA commitments by the North is on export dumping. The US through a complex system of loan guarantees deliberately sets domestic prices far below the cost of production for various commodities. Due to its large share of the global market, US prices for commodities tied to government loan rates have historically set the global maket price for these commodities, as trader and processors compete for supplies. As US farmers struggle to stay afloat in business, in part buoyed by huge payments from government that come at the whim of Congress on an annual basis, they produce more commodities to maintain their net income and make their debt payments, adding to surpluses that further depress global market prices. Meanwhile, US producers and grain traders have cheap supplies to turn into expensive food or to take all over the globe for sale. Increasing domestic supplies have caused the US government to double the amount of export subsidies it gives to companies to clear domestic markets while also increasing export dumping via so-called "food aid". This results in the South's inability to compete in the world market, pushing small farmers out of production and further increasing dependence on food aid. The AoA thus introduces an extremely unequal arrangement. It is mostly about special and differential treatment for the rich North. The Agreement locks in practices in the US and the EU that are detrimental to "free trade" and prohibits certain actions by the South that would be to their economic gain and help insure national food security.

The realities of the AoA exemplify the negative impacts that trade based globalisation has on food security. Food security is too important to be driven by the quest for global market share.

MYTH: ***As a follow-up to the AoA, the opening up of the agricultural sector to global free trade benefits both the South and the North. Trade increases geographical specialisation of crop production, improves efficiency of resource allocation, and thereby results in welfare gains for both.***

FACT: This myth is founded on the theory of 'Comparative Advantage'. That is, trade increases geographical specialisation of crop production, improves efficiency of resource allocation, and thereby results in welfare gains for both the South and the North; per capita availability of commodities consequent to trade is higher for both the countries participating in the global exchange process.

Since the last two decades this trade policy (relating to liberalised agricultural trade) was being implemented faithfully by Latin America and Africa. The track record of these countries is a dismal one. Poverty levels have since increased as also infant mortality. Since most of these countries had agreed to the IMF/WB conditionalities to reduce overall government expenditures, the health of social sectors like education, health-care, housing, etc., deteriorated considerably due to lack of funds. Further, between 1980 and 1990, the per capita GDP declined by 9 per cent, the minimum wage by 31.7 percent and agricultural wage by 26.5 per cent. The proportion of the poor rose from 41 to 44 per cent with a large impact on the urban poor. These average figures, however, conceal the large variations for among individual countries; in many countries the majority of the population has been pushed below the poverty line, real a GDP has declined by double digit figures, unemployment has reached unprecedented high values, real wages have halved and infant mortality rates have shot up dramatically. In terms of per capita food availability, almost all the countries are worse off in the post liberalisation period as compared to the earlier decades.

As pointed out in Part I of this publication (Cf. FAM #5, 2001) the real agenda of these policies formulated by these multilateral institutions, backed by mega TNCs, are to enforce an international division of labour, a characteristic feature of the colonial era.

The 'new' international division of labour would be disastrous, to say the least, for the masses of the South both in scale and depth. Almost all countries implementing these trade policies are debt-burdened countries, which have had to borrow money from global financial institutions to tide over their BoP problems. In most cases, again, these were 'tied' loans, which came hand in hand with conditionalities to restructure their national economies and open up their agricultural and industrial sectors to world trade.

On the restructuring of the national economies, the thrust of the adjustment package policies like reduction of government expenditure, etc., was aimed in initiating a process of income deflation in the country. This de facto income deflation was intended to decrease the levels of effective demand in the economy and thus release commodities for export. Parallel to this, the liberalisation of the trade regime was meant to open up the economy to the pressures of metropolitan consumer demand via the world markets. These two processes, in conjunction, have been able to dramatically alter the patterns of agricultural production and exports in the debt-burdened countries. While wheat and rice have an average percentage growth of 3.48 and 2.53 per cent, the pulse growth rate has averaged only 1.1 per cent. Even more disturbing, the growth rate in coarse cereals, the staple diet of the poor and landless, is a mere 0.35 per cent.

Simultaneously, the area under food crops has also come down. In the period 1994-85, the area under cereals fell by 3.5 per cent and under coarse grains and pulses each by 3 per cent. In terms of area, it amounts to half a million hectare in wheat and a million hectare in coarse grains. At the same time, there has been rapid growth in cash crops. The land use and cropping pattern is being shifted from low-value foods to exportable such as flowers. (See Box on pg. 7) The take-over of good fertile land by industries poses a still bigger danger.

Since most of these countries could not compete with the North in industrial commodities trade, they had to perforce to opt for agricultural exports to meet their rising import bills (which, in the first place, was a direct result of import liberalisation measures that these countries had been forced to adopt). Today, the agricultural commodities that could readily find markets in the North were precisely the cash or the plantation crops. And hence, more and more resources were shifted from the production of foodgrains to the production of cash crops e.g. flowers as exports to metropolitan centres of opulence. This take-over of good fertile land by industries poses a still bigger threat.

The resource and livelihood insecurity linked to land alienation, the production insecurity linked to decline of food production, the consumption insecurity linked to decline in consumption is all contributing to food insecurity for the people.

MYTH: *The global free trade in food is a natural and inevitable growth of progress and modernity.*

FACT: On the contrary! As with other aspects of the global economy the global free 'trade in food' is neither 'natural' phenomenon nor inevitable, but follows directly from the polices by governments.[4] Further,

- Global 'free trade' agreements treat efforts to protect small, local producers as 'barriers to trade', which must be eliminated. These treaties benefit mainly TNCs;
- Massive taxpayer-funded subsidies for transport infrastructures – including multi-lane motorways, bridges and tunnels, high-speed rail lines, harbours, shipping facilities, and airports – make long-distance trade in food seem artificially 'cheap'. Other infrastructure requirements for industrial production and global trade in food – like instantaneous global communications facilities and centralised energy infrastructures – are similarly subsidised. One estimate of the benefits received by US corporations alone from subsidies and externalised costs is $2.4 trillion annually;
- Agricultural research and development, which is increasingly being conducted by the corporate sector rarely addresses the needs of small farmers for local markets, but instead focuses on technologies that benefit the largest farmers and agri-business TNCs. For instance, a mechanised tomato picker developed at public expense by researchers at the University of California, for instance, greatly reduced labour costs for the large farms that could afford the machine's initial cost. This one technology helped to consolidate California's 4,000 tomato farms into just 600 in about a decade;
- Ignored environmental and health costs – from the air pollution and greenhouse gases that accompany fossil fuel burning for transport, to the cancers and birth defects from pesticide use on industrial farms – similarly deflate the price of food from the global system;
- Regulators, often in the belief that large scale farming is a necessary prerequisite to global 'competitiveness' though illegal largely ignore the monopolistic control of food. For example, the US Justice Department's anti-trust review of the pending purchase of the TNC Continental Grain's commodity merchandising division by Cargill, the world's largest grain trader, has elicited loud objections from individual farmers and a wide range of public-interest groups concerned about Cargill's monopoly power. These commends were summarily dismissed by the Government, and the sale was being moved forward.

Subsidies to farmers generally support the largest farms far more than small family farms. Roughly 80 per cent of the farms subsidies given by the UK Government goes to the biggest 20 per cent of its farmers, a ratio that describes EU and US farm subsidies as well. In the US farm subsidies over the period 1996-98 amounted to $22,856 bn. Over 60% of these federal farm subsidies under the Freedom to Farm Act of 1996 went to the top 10% of farmers and landowners at an of $100,000 each, while the bottom 90% of the farmers got merely $6,900 for the three years.[1]

MYTH: *Modern technological farming systems results in higher yields and is also more efficient than traditional farming characterised by low productivity.*

FACT: There is increasing evidence from around the world that the larger the farm, the more 'inefficient' it becomes, both in terms of resource utilisation as well in terms of productivity.

'Yield' means the production per unit area of single crop and thus hides the productivity of small farms, whose 'yields' are obviously low, as they have less space to plant the single crop than largest farms. It also hides the inefficiencies of the large farm – the bear ground between crops, where 'weeds' grow and have to be removed forcing the farmer to invest in or capital.

Small farms, in the South, fill the empty space with other crops, tend to combine or rotate crops and livestock, with manure serving to replenish soil fertility. Such integrated farming systems may produce less 'yield' of one particular crop, but the total output per unit areas (comprising the sum of everything the farmer produces – various crops and animal products) can be far higher.

As in the case of crop production, industrial fisheries and aquaculture also consume more resources than it produces. In 1988, global shrimp farming consumed 1,80,000 tonnes of fish meal derived from an equivalent of 9 lakh tonnes wet-weight fish, nearly double the total marine fish harvested in India today.

MYTH: ***Commercial agriculture is comparatively a lot more beneficial to farmers in the South as it earns them badly needed cash and the country in turn can then export the cash crop, bringing in valuable foreign exchange.***

FACT: This is another variation of the above myth! Although this seems beneficial the establishment of a cash crop economy is disastrous for agrarian economies of the South particularly today when these countries are being pushed into the globalised economy. Further, it leads to dependence, inequality, ecological disruption and inexorable movement away from a balanced, self-reliant development. The simultaneous decline in subsistence agricultural production and growing consumption of imported foods, both by reducing the regularity of food consumption (as cash flows are variable) and increasing the consumption of sugar, has substantially increased the incidence of diet-related diseases. Changes initiated by the globalised economy have increased pressure on land resources in the rural sector and therefore increased land values resulting in pressure for individual rather than community ownership. This results in a new form of inequality and other problems hitherto non-existent. There is little evidence that nutritional levels in these societies were inadequate. Now there is the danger of such societies being converted into a situation of 'dietary colonialism', 'food colonialism' or 'food dependency'. Land (and labour) is steadily moving from food crops to cash crops which has resulted in diets being increasingly composed of purchased food rather than grown foods. This is a part of a general movement towards the production of food items that are not consumed (e.g. as coffee, cocoa, rubber,) to the consumption of goods that are not produced (e.g. clothes, machines, rice) as rural economies become incorporated into the globalised economy. There is growing evidence that diets based on purchased foods are often poorer and nutritionally deficient than food grown locally.

A study of dietary habits of people in the Central Highlands of Papua New Guinea estimated that there is a disparity of 7:1 between the amount of calories that can be produced by the cultivation of food crops and the amount of calories that can be purchased by the income from coffee plantations in the same area; even if this ratio assumes that the terms of trade do not move against commodity sales (which is unlikely) and that cash income is not diverted to non-food uses (which it is). Consequently, unless cash cropping goes on at the same time as food crop cultivation the effects on rural diets and on expenditure are significant and negative.

Food dependency is significant in both economic and nutritional terms. These imports clearly constitute an enormous drain on scarce finance resource. Cash crop and commodity production has increasinghly tied rural economies to that of the globalised economy, a dependence that is acutely related to commodity prices determined by WTO. Is it any wonder, then, that the South experience persistent trading deficits and hence recurring bop problems, which maintain a continued dependence on aid imported food has also contributed to and exacerbated nutritional problems.

MYTH: ***Floriculture reaps enormous benefits for the country investing in this new industry including foreign exchange and far more profitable than farming.***

FACT: Hidden below the cash inflow is a prescription not only for food insecurity but also impending ecological disaster. Turning fertile land from the production of staple foods to commercial cultivation of flowers will only exacerbate the crisis that threatens the sustainability of India's farming system and at the cost of environmental sustainability. This is precisely what Holland has experienced with intensive floriculture. It has ruined the country's land, rendering it unfit for cultivation. Pesticides and chemical fertilisers have led to severe environmental pollution and contamination of ground water resulting in health hazards. And yet, to retain its prime position in flower cultivation, the Dutch have found a simple solution. They have conveniently arranged to transfer the flower industry to countries like India. Holland provides the planting material and infrastructure support to enable Indian industrialists and big business houses to plunder the environment. And once the flowers are ready, the Dutch companies take over its marketing.

The related claim that flower cultivation is far more profitable than agriculture is misleading to say the least! The net foreign exchange earnings from one hectare under rose cultivation is sufficient to import only 1256 tonnes of food crops. According to one study it is shown that an additional 4,274 tonnes of food crops and almost 200,000 labour days could be generated if the resources and capital employed in one hectare of rose cultivation were to be diverted towards food crops – thereby clearly establishing the economic viability and social necessity of food crops over flower cultivation.[3] Yet, India is keen to emulate the Dutch model of floriculture; merely re-locating an environmental catastrophe and a dirty business enterprise.

Since the National Seed Policy was relaxed in 1988 to encourage the flower industry, close to 40 new plant diseases and pests have entered India. Faced with enormous public protests back home, Holland has successfully tricked India into accepting commercial floriculture, essentially to keep the indigenous flower industry alive and kicking.

In any case, the Indian flower industry at best infiltrates only the secondary flower market since the EU has imposed 14 per custom duties on Indian cut flowers, thereby pricing it out of a highly competitive market. (Similarly, the US in 194 imposed a 34 per cent 'anti-dumping tax' on flowers from Colombia, the main supplier of roses to North America. The US decision threatened the livelihood security of more than 40,000 Colombian workers.[3]

Floriculture Pollution!

With a high planting density of 60,000 plants per hectare, and the need to maintain international quality standards, the use of ago-chemicals is extraordinarily high. On an average, two pesticide sprays per week are necessary to control pests and diseases. More than 47 tonnes of chemical fertilisers and 108 tonnes of manure per hectare are added to the soil. In addition, excessive use of groundwater at 212-acre inches per hectare is four times more than what is required for food crops. Such exhaustive cultivation practices come with high environmental costs, leaving a trail of negative impacts on the soil structure, draining fertility and contaminating the under ground drinking water supply. Ultimately, the land under intensive flower cultivation is rendered unproductive and barren.

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An Activists Dictionary for WTO-speak

(Orwellian to English)

Free Trade - Lawless Trade

Fair Trade – A term for alternative trading rules which might make distinctions that favour responsible and sustainable trade over that which is not.

GATT – The tumour that on January 1,1995 metastasized into the cancer that is the WTO.

Globalisation - A global economic model where unbridled capitalism, free trade, and the rights of TNCs and MNCs are given value over democracy, sovereignty, human rights and sustainability.

Protectionism – a pejorative term for "protection" (the true noun form of "protect"), implies that economic, social and environmental protections are motivated by selfish interests.

Quantitative Restrictions (QRs) – Bans or limits on trade in substances or products. The WTO disallows "quantitative restriction" even when the ban or limitation protects the environment or public health

Trade Barriers – Anything that can limit profits made via trade or investment

Trade Distortion – Used to describe the effects of "trade barriers" Not used to describe the effects of allowing "distortion" in true economics via externalising true costs to communities and the environment.

Trade Liberalisation – Freedom to allow TNCs and governments to externalise environmental and social costs to the planet, and its people (see Free Trade).

WTO – An umbrella organisation designed to limit governmental regulation of trade and investment to one set of rules. But because these rules have been created primarily by the largest US TNCs, these rules have been established primarily for these TNCs. They have become a Corporate Global Constitution and "Bill of Rights" that denies rights to people and the environment.

(excerpts from: When Trade is Toxic by J. Puckett, Asia Pacific Environmental Exchange, Washington, USA)

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