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A CASE STUDY

Why marginal and small farmers are so attached to their land?

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In the post liberalization era after 1991, a consistent effort is on to shape the national thinking in way that the solution of the problems of small and marginal farmers is impossible while keeping them in agriculture. There is a strong need to push and/or pull out these unviable farmers out of agriculture and pave the way for commercialization and corporatisation of agriculture. But despite these loud talks, the small and marginal farmers are in no mood to move out of agriculture rather they are resisting any effort to push them away from their land. The present phase of land acquisition in Punjab, Haryana and West Bengal for setting up special economic zones (SEZs) and for other public purposes is being opposed tooth and nail by these farmers. Why it is so? Why are the farmers not ready to sell their land even if the compensation being paid is higher than the prevailing market price of their land? Why farmers are even reluctant to lease out land on long-term basis to corporate firms?

Economic literature tells us that the movement of labour away from agriculture to other sectors is determined by the push as well as the pull factors or a combination of both (Basant, 1993; Chadda, 1993; Eapen, 1995). In the absence of strong economic pull factors, there is a trade off between the push factors and the hold back factors. The main hold back factors are the continuous and assured (though meagre) year-to-year income, assured employment and the possibility of enterprise symbiosis *i.e.* the integration of dairy enterprise with crop production to enhance income and employment. The farmers earn the farm business income by working on farm which includes the imputed land rent for their owned land, wages for the labour put on by them and their families on their own farm and a surplus over and above these two. A farmer can be parted away from land by three ways. First his land is acquired for public purposes and compensation is paid. In this case, the big question is that what a farmer will do with the compensation amount and where he and his family will work and earn for their labour? Second, a farmer sells his land and the big question is the same as stated above. Thirdly the farmer leases out his land on short or long-term basis and the question of getting or not getting employment somewhere else still stands.

Let us discuss the first two ways where the big question is that what the farmer will do with the money he will receive either as compensation for acquired land or by voluntarily selling land. The farmer who sells land or his land is acquired for public or other purposes has two options before him. First the money received can be invested in purchasing land somewhere else away from the periphery of cities/SEZs locations. It is perceived that the farmer can purchase bigger piece of land in this way, as the land is cheaper at far away regions. But it has been observed in Punjab that an increase in the price of land in cities and their peripheries has led to sharp increase in the price of agricultural land even in the remotest areas. Therefore, the farmers find a little scope of increasing their land ownership by shifting in remote areas rather perceive the social and economic displacement costs too high. Second option before the farmers is that the sum received can be invested in some business or setting up of other enterprises. The possibility of doing so is very limited because these farmers lack capabilities due to low economic and social access to education and training. In a study on marginal and small farmers (Singh, 2006), out of 240 sample farmers only 63 were matriculates, 51 were middle pass, 46 attained the education up to primary level and remaining were illiterate. The third option is that the farmers lease out land on short or long term basis and get employment somewhere else. A general perception is that the prevailing tenancy laws are in favour of land takers and the farmer, if leases out land, will remain under the constant fear of grabbing land especially if the land is leased out to the mighty corporate firms. However, there are other reasons too. What he will do with his family labour? Where he will work himself and get the remuneration for his labour? Can he get employment outside agriculture? The experience of the last five years shows that there has been no growth of employment in the organized sector in Punjab. The employment in the public sector has declined and there has been a jobless growth of private sector. The total employment in the organized sector has declined from 8.46 lakh employees in 2000 to 7.73 lakhs as shown in Table 1. Another alternative for employment outside agriculture could be the rural non-farm employment excluding organized sector employment. But the studies have shown dismal performance of rural non-farm employment. The rural non-farm sector, including organized sector, employs just 6.7 per cent of the total male workers of the rural areas (Ghuman *et al.*, 2002). The rural non-farm un-organized sector comprises of petty activities with a low level of earnings. The non-farm activities are essentially the distress driven alternatives. The poor in terms of landed assets, livestock assets and total assets are more likely to go for rural non-farm activities. Therefore the highly distressed among the distressed opt for non-farm petty activities. Thus the prevailing rural non-farm employment is not the result of 'pull factors' but of the deep distress in asset poor rural families. Moreover the generation of rural non-farm employment opportunities are directly linked with the growth of agriculture as has been witnessed in Punjab. With the stagnation in agriculture, the rural employment generation has also stagnated.

It is clear from the above given fact that pull factors are very weak and the trade off between pull factors and the hold back factors is in favour of the latter. Thus, the farmers have a pressing economic interest to remain in agriculture. The analysis of farm business income in Punjab has clearly proved this point of view. Table 2 presents the farm business income of marginal and small farmers of different regions of Punjab along with its split in its three inclusives *i.e.* imputed land rent, imputed family labour and surplus over and above these two. Region I comprises of low productivity areas of the state falling in the Shivalik foothills known as Kandi area and wheat-maize is the dominant crop rotation of this region. Region II comprises the areas falling in the high productivity central districts of Punjab and wheat-rice is the main crop rotation. The southwestern part of the state has the wheat and cotton crop rotation and it is designated as the agro-climatic region III of the state. The region-wise analysis of farm business income assumes importance as the proportionate contribution of land rent and wages of family labour in the farm business income differ considerably

Table 1 : Growth of employment in organized sector in Punjab (as on March 31)

Sector/mean	2000	2001	2002	2003	2004	2005
Public sector						
Central Govt.	79396	79138	74706	69909	71238	70150
State Govt.	304198	302142	302095	296075	289718	266854
Quassi Govt.	174433	173548	173535	161227	170517	153118
Local Govt.	31759	31276	30788	28761	33132	29854
Total	589786	586164	581124	555972	564605	519976
Private sector	255996	261083	254980	244006	261339	253140
Grand total	845782	847247	836104	799978	825944	773116

Source: Statistical Abstract of Punjab, 2005

Table 2: Farm business income and its constituents in Punjab (Rs. Per farm)

Particulars	Region I		Region II		Region III		State	
	Marginal	Small	Marginal	Small	Marginal	Small	Marginal	Small
Farm business income	17246	30893	47791	78585	31910	53613	33814	60032
Imputed land rent	6903	16154	24486	45360	15378	30506	16491	34073
Imputed value of family labour	11694	17046	12103	15832	11248	18061	11832	16575
Imputed land rent plus Imputed value of family labour	18597	33200	36589	61192	26626	48567	28323	50648
Surplus over land rent plus family labour	-1351	-2307	11202	17393	5284	5046	5491	9384

Source: Singh, 2006

and this degree of difference has certain policy implications.

It can be seen from Table 2 that average farm business income of marginal farmers was Rs.33814 and it included Rs.16491 as imputed value of land rent and Rs.11832 as imputed wages for the family labour. In the absence of gainful alternative employment opportunities a marginal farmer will loose the opportunity of earn Rs.11832, which he is earning as wages hidden in the farm business income if his land is acquired or sold or even leased out. Similarly, the average small farmer of the state will be deprived from earning Rs.16575 as wages for his family labour put on his own farm. Likewise the marginal and small farmers of region II will get deprived from the opportunity to earn Rs.12103 and Rs.15832, respectively as wages inclusive in the farm business income. In region III the income loss, as wages, will be to the tune of Rs.11248 and Rs.18061 for marginal and small farmers, respectively. The situation in region I is quite peculiar. In this region the total farm business income of marginal and small farmer is less than the sum total of imputed rent and wages. The farm business income of an average marginal farmer was Rs.17246 while the sum total of imputed rent and wages were Rs.18597 per farm. Thus, there was a shortfall of Rs.1351 per farm. This means that the marginal farmer of this region was earning less than the imputed value of their labour, which they put on their own farm. By deducting the shortfall from the imputed value of labour (Rs.11694-Rs.1351) we get the adjusted wages that average marginal farmers earn. This adjusted wages of family labour were Rs.10343 per farm for marginal farmers. But even the adjusted wages of family labour (Rs.10343) constitute a very substantial portion of the farm business income (Rs.17246). That way the marginal farmers of region I *i.e.* the low productive area of the state are likely to be more attached to land. If an average marginal farmer part away from land he will loose the opportunity to earn Rs.10343 as wages of his family labour hidden in the farm business income of Rs.17246. Similar situation is being faced by the small farmers in region I. Therefore, the farmers of low productive regions will resist any move to acquire their land in a more forceful manner. It belies the contention that for setting SEZs the less productive land should be acquired to avoid the resistance of the farmers. Alternatively if he leases out his land then his total income will be just Rs.6903 per annum instead of Rs.17246.

The above given discussion clearly brings out that unless and until the pull factors do not become stronger and overpower the hold back factors, the farmers are unlikely to move out the agriculture and oppose any move separating them from their land. They will neither opt for selling their land nor they will lease out to corporate firms. The farmers of low productivity regions (region 1 in Punjab) are more likely to resist such action more vigorously because imputed wages account for higher share in farm business income as compared to the high productivity regions.

Therefore, an attractive rehabilitation package acceptable to farmers needs to be devised through consultations with farmers. Insecurity of the gainful employment and income insurance are the key factors pricking the farmers to agitate. The absence of attractive rehabilitation package has the potential not only delay but derail the very policy of setting up of SEZs.

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