Chapter-3 Commercialization of agriculture

Commercialization of Agriculture: -

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1. Meaning of Commercialization of Agriculture
By commercialization of agriculture we mean production of agricultural crops for sale in the market, rather than for family consumption.
For marketization of agricultural products thus ‘surplus’ of production over consumption is required.
But agriculture at that time was merely of the subsistence type. It had not been a consequence of conscious response of peasants to the market forces.
Thus, the concept of surplus was partly irrelevant. It was the social organisation but not entrepreneurial role of the peasants that determined the marketed surplus. The decision to cultivate commercial crops was usually determined by the requirements of subsistence farming of peasants. Thus, commercial agriculture in India had not been the product of an “allocative efficiency of peasants”. Production decision was entirely of peasants and profits (if any) from the marketed items were reaped by peasants. Under the impact of commercial revolution that began with the beginning of the Civil War (1861-1865) in North America, farmers’ products were brought into the sphere of both internal and international trade.
Farmers were forced to sell their producers to meet the revenue needs of the alien government as well as urban demand. Peasants had to cough up some surplus at least for the market since money had become indispensable to them. Thus commercialization of agriculture was not a spontaneous one

2 Phases of Commercialization of Agriculture

There were three major types of agricultural commercialization in India. The first form of commercialization was associated with plantation agriculture, especially tea plantation of the northern districts of Bengal. The second type of commercialization came to be known as ‘subsistence commercialization’ or the ‘jute phase’. Under this jute version of commercialization, peasants in search of minimum subsistence level of living turned to intensive cash crops, mainly jute in the late 19th and early 20th centuries.

Sugata Bose reviews this phase in the following words: “Raising a cash-crop which promised a higher gross income seemed to the mass of small holders the better bet for assuring
subsistence in the early twentieth century than growing insufficient quantities of rice.” A third form of commercialization is known as ‘dependent commercialization’ or the ‘indigo phase’ of late 18th century and early 19th century.
The major stimulus for a wholly un-remunerative crop like indigo came from its increased demand in Europe. This phase was characterized by the intrusion of foreign capital. Managing Agency Houses—a multifaceted institutions of trade and finance created by the ex-servants of the EIC and merchants—provided the necessary capital for the expansion of indigo cultivation.

Though no neat sequencing of these phases of commercialization is discernible, the dependent and subsistence commercialization phases ‘have been most pervasive in molding the productive activities of the working peasantry of eastern India’.

Causes:
The transition of India’s agriculture to commercial propositions was the result of a series of developments which took place in the second half of the 19th century.

These are:
(i) The introduction of money-economy:
Firstly, the process of commercialization snow-balled with the introduction of money into the village. However, trade and money relations existed in the countryside even during the Mughal reign. As soon as the EIC desperately began to acquire more and more territories it insisted land tax to be paid in cash. The British rule introduced cash assessments in the system of land revenue.

Gradually, the former system of payment of land revenue in kind went out of fashion. This compelled the cultivator to sell a part of his produce. This was, however, not the whole problem. A new merchant class appeared in rural India who took advantage of the abysmal indebtedness of the peasantry.

The string of usurious capital was tagged by this commercial class. Thus, the impetus towards the tendency of commercialization of agriculture came from the interest of the moneylenders who ultimately became an indispensable tool of colonial exploitation. To meet their monetary liabilities farmers realised the importance of commercial crops rather than food crops.

For instance, in Berar (Vidarbha) region, the area under cotton increased from 21.1 p.c. in 1860-61 to 35.8 p.c. in 1900-01. This then suggests that peasants must have shifted from food grain production to cotton production. Thus, the compelling circumstances for the growth in demand for commercial crops and even food crops were not determined by market incentives.
(ii) Ease of means of communication:
Secondly, the effect of monetization could not go far until internal means of transport were improved. The railway lines were built by the British rulers. The agricultural crops reached the parts of the then Madras, Calcutta, Bombay or Karachi from self-sufficient villages with the expansion of the railway lines.

“The commercialisation of agriculture had progressed most in those tracts where the crops were largely grown for export out of the country… Through the operations of exporters an efficient market organisation for moving the crops quickly to the ports had come into existence.”

The basic motive behind the tremendous spurt in the construction of the railway lines was to subserve the interests of the British industrialists in England. The colonial commerce brought industrial revolution there. The raw material of British cotton industry was almost entirely colonial, if not purely Indian.

With the opening of the Suez Canal in 1869, transshipment costs of agricultural crops per cubic ton were reduced by roughly 30 p.c. Indian products, as a result, were sold at cheaper rates in Europe. Thus market—mainly for cotton—widened.

As transport costs declined with the expansion of the means of transport, other agricultural crops, like rice and wheat, were added in the export list. Anyway, the ease of communications together with the introduction of money-economy brought about the movement towards commercialisation of Indian agriculture.

(iii) The US Civil War:
Thirdly, another event that sparked off the process of commercialisation in agriculture was the American Civil War (1861-65). As the U.S.A. plunged into the Civil War, it transferred the British demand for raw cotton from America to India. Besides, exports of raw cotton, other raw materials like jute, oilseeds, and food-grains experienced a jump in exports. With the conclusion of the Civil War, exports of raw cotton fell off. But this was largely compensated by a great rise in domestic demand.

The spurt in domestic demand for cotton was accentuated by a slump in cotton prices to a reasonable level and the cotton mill industry started spreading in and around cotton growing regions. The tendency towards commercialization started gathering its momentum. It is to be remembered here that the precise pattern of commercialization was not uniform for all types of agricultural crops.

Rather, it varied from crop to crop. It is the market for raw cotton alone which witnessed dramatic turns and twists. But so far as other agricultural crops were concerned, we see the interplay of the same forces underlying the tendency towards commercialization of agriculture.
Between 1860 and 1890, markets for cotton in Bombay Presidency, jute in Bengal, sugarcane in the United Provinces, groundnut in Madras expanded. These crops are called cash crops since these crops are produced for market sales. However, the pattern of commercialization had never been confined to cash crops alone.

Food crops also experienced marketable surplus in the process since one pulled the other. Even then, market for cash crops was on top. Between 1891 and 1946, the decadal growth rate of production of cash crops was roughly 13 p.c. as against 1 p.c. growth rate of food crops. The growing cultivation of crops for sale in the market provided boost to both European and native entrepreneurs towards investment in areas like production, processing, and marketing. Indigo cultivation in the Northern region induced in altering patterns of land use.

**Commercialization of Agriculture # Consequences:**

The opening up of national and international markets for agricultural goods of India should have served as a catalytic agent in the development of agriculture in India! But the actual results were different. It is said that trade is ‘indirect production’ and ‘efficient production’. But paradoxically, Indian agriculture lacked responsiveness to these forces of trade and commerce. Agriculture became the hand-maiden of trade.

Commercial interests became the guiding star. By the second half of the 19th century, overseas trade came under British control. So the bulk of the profits from the agricultural surplus was appropriated by the British business houses and went out of the country as ‘foreign leakage’. And, in the process, a new merchant class emerged as subsidiary and junior partners of the British mercantile capital. In the ultimate analysis, merchants became the symbol of colonial exploitation.

Commercialization of agriculture could not bring about a change in the production organisation which can be described as small peasant farming. This production organisation remained as the foundation of the cultivation of commercial crops despite commercial revolution.

But such small peasant farming resulted in the emergence of a new group of credit financiers who enjoyed enormous power over the cultivation process and disposal of the cash crops. In other words, the growth of commercial agriculture was aided and abetted by its twin brother — the usurious capital. A chain of intermediaries—who were by nature ‘parasitic’ in relation to agriculture—gained control over production.

In the name of trade and commerce, the entire economic advantage from the monetization of rural India was reaped by merchant capital—the two wings of the same eagle—that completely devastated the peasant economy. Thus, the commercial revolution in the agricultural economy of India did not help organise agricultural production in an efficient way.
Agricultural development suffered due to the paucity of resources which the farmer required for technological improvements. The farmer, in fact, was made to bear repeatedly the burden of instability in prices. Information about high market prices of agricultural produce did not percolate down to the poor peasants. Consequently, rising prices could not benefit the small farmer. He was reduced to a mere sharecropper or sub-tenant.

It was beyond his means to make investments or carry out even crude technological changes in his farming practices. Result was the low productivity of land even in the midst of commercialization of agriculture. Possibly, whatever investment took place was in the cash crops.

On the contrary, British and Indian traders and moneylenders reaped the benefits of widely fluctuating prices of agricultural products. ‘A peasant who had managed to accumulate some funds would, therefore, have every incentive to turn towards trade, usury or renting-out of land to sub-tenants or sharecroppers, thus’ parasitically shifting the whole burden of production risks instead of going in for real capitalist farming.”

In the process of commercialization of agriculture in a colonial economy, the vast army of peasantry loses its independence. Even for a paltry dose of investment, the peasants take advances; coupled with this production loan, dependence on moneylenders for consumption loan ‘as well as dependence on merchants for marketing their products becomes no less insignificant. In fact, dependence on these agents was the inevitable consequence of this monetization process. And this dependence resulted in differentiation in a greater degree within the peasantry, i.e., between poor and rich peasants-landlords-moneylenders, but hardly did it contribute to real agricultural growth except in a few pockets.

That is why one is tempted to say that it was a ‘forced’ commercialization, rather than a natural one. “Coimbatore peasants once told a British Collector that they were growing cotton simply because they could not eat it; the grain they might have cultivated would have been consumed by themselves, whereas now they went half-fed but at least had the money with which to meet revenue needs.”

What is true is that the surpluses generated from agriculture had not been invested on land. It was beyond the means of the farmers to make use of the residual output to initiate ‘land-augmenting’ investments, e.g., irrigation. But the view that the growth of cash crop cultivation as a process of ‘forced commercialization’ is partially valid, as suggested by B. Chaudhury. The decision of peasants to grow commercial crops which they hoped that would make them free from debt was a perfectly rational one, but the dominant idea behind this was the ‘expectation of real gains from their cultivation’.
The sale of cash crops (except indigo and opium) by their growers is an ample evidence that the peasants did not necessarily produce them for their creditors and hand over to them all their produce. Another outstanding effect of commercialization was the regional specialization of crops conferring benefits to producers of these crops. With the spread of commercialization, agricultural production began to get localized in different regions endowed with different geographical peculiarities. For instance, the dark-colored volcanic soil (or the regur soil) of the North-West Deccan of Bombay Presidency, presently Maharashtra, was good for cotton cultivation.

Before 1860, peasants in this region produced simultaneously cotton and wheat, jowar and bajra mainly for meeting their own requirements. But, after 1860, as the market for cotton was stretched to England, farmers became more and more specialised in the production of this commercial crop and traded it for meeting the requirements of production of food crops. Wherever the road to commerce was open, regional specialization crept in. This means that farmers were no longer sellers only, they were converted to buyers also.

We have already said that the process of commercial revolution resulted in the substitution of commercial crops for food crops. The effect of this development on the overall food situation of the country was a tragic one. The famine of Orissa and Bengal in 1866 bore testimony to this process of substitution of crops. The changeover to cash crops discouraged the cultivation of poor men’s food crops like jowar, bajra or pulses.

It is still an open issue whether the expansion for commercial agriculture in India has taken place at the expense of food crops; but the output of commercial crops registered greater increase than those of food crops. Above all, small peasant farming remained as the foundation of the cultivation of cash crops, though one can expect the growth of large scale farming in the process of commercialization.

Rail-radiation had a stimulating effect on the exports of agricultural produce which, in turn, brought back machine-made goods. With the revolution in transport, Indian handicraft urban industries could not withstand the onslaught of foreign competition. This process has been dubbed by economic historians as ‘de-industrializations’—another price of modernization.

Consequent upon de-industrializations, the fall in the prices of cotton in 1860-64 brought untold misery to the weavers. As a consequence, millions of workers were uprooted from their traditional occupations. All these people them crowded into agriculture as an alternative occupation, thereby steadily adding to the deadly over-pressure on agriculture in India—a feature that still exists in our agrarian economy.

Another important aspect of commercialization of agriculture is worth noting here. Traditional economics suggests that the value system is so deeply embedded in the minds of illiterate
peasants that they become unresponsive to any kind of change; they become the slaves of traditionality. But the commercial revolution in agriculture of the 19th century has disproved this standard notion.

Dharam Narain has shown statistically a perfect correlation between fluctuations in the prices of agricultural crops and land utilisation. Whenever prices of certain crops rose, farmers switched over for cultivation from low-priced to high-priced crops. This sort of price responsiveness clearly suggests that agriculture in India during the 19th century did not follow the traditional path; on the contrary, it became market responsive.

How far marketization of agricultural product was the making of traders, commission agents, moneylenders or of the independent decision of Indian peasantry is a tricky question. But it is true that the pattern and the direction of Indian agriculture had been greatly motivated by price responsiveness of agricultural produce.

“Price movements and business fluctuations in the world markets began to affect the fortunes of the Indian farmers to a degree that they had never done before. The farmer in his choice of crops came to attach much greater importance to market demand and prices than to the needs of his home and his immediate neighbors in the village.”