The World Bank’s Plans for Indian Agriculture

During the last five years of the ‘structural adjustment’ programme in India, there have been sweeping changes in industry, but relatively more cautious moves in relation to agriculture. We find avid proponents of structural adjustment bemoaning the fact that agriculture has not yet received the full ‘benefit’ (sic) of ‘reform’.

No doubt, a variety of measures have been executed, and the broad direction set, in relation to prices of inputs (fertiliser, water, seeds, power), availability and terms of institutional credit, whittling down of the Public Distribution System, partial removal of controls on imports and exports of agricultural products, and so on. The negative impact of these measures is already visible, despite the string of excellent monsoons. However, the Government’s (that is, the World Bank’s) agenda in relation to agriculture has hardly begun. That agenda was spelt out most elaborately in a World Bank document India: Country Economic Memorandum, vol. II -- Agriculture: Challenges and Opportunities (April 29, 1991), which we will refer to hereafter as the Memorandum. The document
matches closely the demands of the GATT treaty (which has set up the World Trade Organisation) in relation to India's agriculture. Indeed, what the treaty places as directives are expressed in the Memorandum as recommendations in India's own interest.

The Memorandum even provides, in tabular form, a list of its 'recommendations' and a schedule for the completion of each ("immediate", "medium-term", "changes to begin in next budget", etc). From this table, it is evident that the Government has made efforts in the direction of most of the recommendations, but it has fallen behind schedule. The difficulty for the Government in implementing the World Bank's demands is essentially political: a number of the proposed measures would be sure to bring large sections of the peasantry into sharp confrontation with the new economic policy. Given that they are already in the midst of major confrontations with the working class, the rulers appear to have postponed, for a little while, the fuller implementation of their agricultural 'reforms'.

Meanwhile, they are preparing the ground by attempting to confuse potential peasant opposition in advance. Thus the structural adjustment programme's proponents have set about constructing a theory of how, in fact, these measures are 'pro-peasant'. Sharad Joshi's Shetkari Sanghatana, one faction of the Bharatiya Kisan Union (Punjab), and several intellectuals and economists have indeed been arguing that the Government has not 'reformed' agriculture fast enough, that the peasantry are being denied the 'benefits' that industry is enjoying as a result of 'reform'. These gentlemen hope to persuade
peasants that the process of ‘globalisation’ will yield great commercial opportunities for Indian producers, which they are being denied at present.

**World Bank’s argument for opening up agricultural trade**

This is, indeed, one of the central claims of the Memorandum. Briefly stated, the argument is as follows. Indian agriculture, says the document, is largely protected from competition with imports of agricultural commodities. Large subsidies are also paid by the Government on fertiliser, water, seeds, credit, etc. On the other hand, because of the protection of Indian industry from imports, agriculture is prevented from importing fertiliser and other agricultural inputs at lower prices. Moreover, there are restrictions placed on the export of several agricultural commodities. The Memorandum claims, on the basis of some murky calculations (based on a hypothetical model), that the loss to peasants as a result of not being able to import and export freely outweighs the gains they enjoy as a result of subsidies and protection from agricultural imports. The Bank’s solution, in chorus with the GATT treaty’s demands, is to eliminate subsidies, eliminate protection from imports for both agriculture and industry, and allow free exports of agricultural goods.

Specifically, the Memorandum argues that India does not possess ‘comparative advantage’ in certain crops, and does in others. It should focus on producing the latter, and discontinue assistance to the former. (For the definition of ‘comparative advantage’, and a critique of this theory, see Aspects no. 14, pp.68-83.)
Certain crops, it is claimed, are 'disprotected': that is, since they are produced at low cost in India, they could have enjoyed higher prices in export markets, but they are denied them due to restrictions on exports. Moreover, they could have enjoyed lower prices of inputs which they are denied by restrictions on industrial imports. "Disprotection for rice, wheat and cotton and high protection for oilseeds has stimulated allocation of resources away from commodities in which India has a comparative advantage, leading to efficiency losses and misallocation of resources, including net losses in output and foreign exchange. The production has thus been skewed: India is producing more oilseeds and sugar than it would under a free trade regime, and less foodgrains and cotton." (The Memorandum also uses the phrase that such crops as rice and cotton, whose world prices are higher than domestic prices, are effectively 'taxed' by denying them the benefits of free trade. Without appreciating the origin of this expression, many persons arguing for better terms of trade for the peasantry have quoted it.)

The Memorandum even claims that the exact losses as a result of such 'misallocation of resources' can be calculated: "Policies of high protection for oilseeds have had significant economic costs. As an illustration, if the land and other resources now used for oilseed production were diverted to cotton, rice and wheat production, and if cotton and rice exports were expanded, India could import all of the edible oil now produced domestically and still have a surplus of $1.6 billion." We are referred for these dubious calculations to an internal background paper of the World Bank.
Domestic fertiliser production to be substituted by imports?

A similar breezy confidence is evident in the recommendations regarding fertiliser.

In India, the Government used to fix the prices of all three types of fertiliser -- nitrogen-, phosphate- and potassium-based. About 25 per cent of its fertiliser needs are imported (in part because India has no known source of potash). The Government used to subsidize the difference between the import price (plus other costs) and the price at which the fertiliser was sold to the farmer. For domestic fertiliser producers, since 1977, the Government guaranteed an annual 12 per cent after-tax return on equity (the 'Retention Pricing Scheme'). The price paid by the Government for fertiliser from any plant was based on a cost calculation for that plant using actual input costs and certain agreed-upon operating norms. The price thus paid varied widely from plant to plant, depending on the age of the plant, the cost of its setting up, its efficiency, etc. In order to sell the fertiliser purchased from these plants to the peasant at a fixed price, the Government used to provide a subsidy. Throughout the 1980s, the price at which the Indian farmer bought fertiliser was lower than the world price. Now the prices of potash and phosphates have been decontrolled, and have risen dramatically. Urea, however, continues to be subsidized.

No doubt the Retention Pricing Scheme encouraged a number of malpractices by fertiliser firms. In order to show that their plants were running at the stipulated capacity, managements
would construct plants of, say, 1500 tonnes-per-day capacity and falsely rate their capacity as 1350 tonnes-per-day. Since return on equity was guaranteed, there was no need to minimise capital costs or operating costs.

The World Bank was closely associated with the promotion of the Green Revolution in India (which required heavy subsidizing of fertilisers) and then with India's fertiliser policy during the 1970s and 1980s, lending a total of $1.6 billion for fertiliser projects between 1971 and 1986. For multinational fertiliser equipment suppliers and for the Indian private sector, India's fertiliser programme was a great bonanza.

But now the World Bank claims to have discovered that the RPS is inefficient. "The case for continuing fertiliser subsidies is weak: large costs attached to the subsidies are being borne to continue protection to a small set of farmers and to the industry, and not to fulfill the original set of objectives, which had more to do with encouraging initial use." The Memorandum calls, in effect, for the shutting down of 'inefficient' plants and their substitution by imports: "the pricing system does not give sufficient exit signals for economically inefficient plants, does not adequately stimulate inter-plant competition, fails to penalise inefficient technologies, encourages high investment costs of new plants, and leads to high budgetary subsidies." (pp.40-41)

The Memorandum recommends the complete phasing out of budgetary subsidies for fertiliser over four years ("with annual price increases beginning at 30 per cent in the first two years, and declining to 11-20 per cent... by the fourth year"), and finding
some way to link domestic fertiliser prices to world prices. The latter recommendation would involve closing many Indian plants and turning to imports instead.

Replacing procurement with private trade

‘Globalisation’, thus, is to dictate the shutting down of domestic oilseeds production, the shutting down of many fertiliser plants, and the export of rice and cotton. Carrying this logic further, the Memorandum recommends the virtual dismantling of public procurement and stocking of foodgrains, with these roles to be fulfilled instead by private trade: "Food Corporation of India should reduce its large direct role in purchasing, transport, and storing grain, through subcontracting to licensed agents, wholesalers and stockists, and providing price incentives for farmer storage of grains". Instead of maintaining buffer stocks, India should turn to the world market in times of crisis: "High levels of buffer and working stocks for wheat and rice (currently 19 million tonnes) are both expensive and unnecessary, especially in the light of changing objectives for market interventions and a new role for FCI. India could be adequately protected with a smaller buffer stock, entering the world market to obtain supplementary supplies in prior production years and keeping foreign exchange to handle purchase in deficit years."(p.92)

The overall picture painted, then, is calculated to play upon the hopes of those sections of the peasantry who produce for the market. The villains of the piece are made out to be the Indian bureaucracy and domestic industry, who wish to
deny Indian peasants the opportunity of trading in the international marketplace -- whereby they could obtain cheaper inputs and higher prices for their crops. No doubt a few crops would suffer, they admit, but others would gain, and any peasants adversely affected could switch to the profitable crops, the areas in which they have 'comparative advantage' globally. Those leaders of farmers' organisations such as Sharad Joshi who promote this argument exploit the well-founded anger of peasants with the bureaucracy and Indian big industry, whom they portray as obstructing vast trading opportunities for Indian peasants.

The Government's latest Economic Survey 1995-96 reproduces the Bank's argument almost word for word, attempting the same sales pitch to the peasantry: "In almost all the non-oil producing countries, agricultural commodities or value-added products from agriculture account for a major portion of their export earnings. In India, the share of agricultural exports to total exports was only 8.56 per cent in 1994-95". (This is factually incorrect: including tea, coffee, marine products and raw cotton, the percentage comes to 16.6 per cent. If we were to add agro-based exports such as cotton yarn, jute manufactures, coir, and leather and leather manufactures, the percentage would come close to 30 per cent.) The Survey continues: "India's share in world trade in agricultural commodities is less than one per cent. For over four decades industry remained highly protected and agriculture served as a source of cheap raw materials for the domestic industry, a very large section of which was inefficient and globally non-competitive. This had a dampening
effect on agricultural exports and investment in agriculture. The new economic policy since 1991-92 has attempted to correct this imbalance and agriculture has begun to see some gains through competitive exports... A number of policy changes have been introduced to make agricultural exports more viable... easier availability of credit for export has helped agricultural exports. Most of the restrictions on agricultural exports have been removed... Indian agriculture is beginning to appear globally competitive. Two important policy changes have made this possible. The first is the deliberate reduction in excessive protection earlier accorded to the manufacturing sector; this has improved the relative profitability of agriculture. The second is letting the farming community receive market oriented prices so as to bring about more equitable terms of trade for agriculture."(pp.142-3)

However, this entire model touted by the Memorandum and the Indian Government is untenable. It ignores, first, the nature of agriculture itself; secondly, the nature of Indian agriculture; and finally, the nature of international agricultural trade. It does so because it wishes to cover up its real brief, which is to promote the interests of multinational corporations.

Agriculture and ‘market signals’

The Bank assumes that there are hardly any difficulties for a peasant in responding to ‘market signals’. Presumably, on learning that the prices of the crop he/she is growing are falling internationally, he/she should be in a position to switch quickly to some other crop for which demand is rising.
The World Bank’s *World Development Report (WDR) 1986* states: "...contrary to a long-held belief, farmers in developing countries -- as in industrial countries -- respond strongly to prices. The crops they grow, the amounts they produce, and the technologies they adopt depend greatly on the policy environment." The Bank claims this to be true of even severely underdeveloped Africa, and produces a particularly laboured example of "flexible markets in Niger" during the 1970s. (It neglects to mention that in Niger, per capita income fell at the rate of 1.3 per cent a year during 1965-84, and faster thereafter. Value added in agriculture fell from $851 million in 1970 to $649 million in 1984. Food production per capita in Niger fell at an average annual rate of 1.8 per cent during 1979-93. -- *WDR 1986, WDR 1995*.)

The untenability of the Bank’s argument was comprehensively demonstrated during the 1980s, when the prices of primary commodities, including items such as coffee and cocoa, collapsed to unbelievably low levels (coffee fell from $2.08/kg in 1980 to 1.12/kg in 1993; cocoa fell from $3.47/kg to $1.56/kg over the same period -- *Global Economic Prospects and the Developing Countries, 1994*, World Bank; hereafter referred to as *GEP94*). At the end of this collapse, most of the Third World farmers whose export prices had collapsed continued to grow the same crops nevertheless. Indeed, sub-Saharan cocoa output grew 26 per cent between 1985 and 1989, but total revenues fell.

Contrary to the Bank’s argument, commonsense would tell us that it is inherently difficult in agricul-
ture to respond swiftly to changes in demand by changing the size of output or the crop grown.

First, after planting, it is not possible to increase the size of the crop. The peasant has to wait till the next planting. Thus he/she cannot respond to short-term changes in price.

Secondly, the peasant’s choice of which crop to grow is limited: particular conditions of climate and soil determine the range of crops that are suitable for those conditions.

Thirdly, substantial increases in output frequently require additional investment in irrigation, levelling, storage and machinery. These usually depend crucially on State investment or assistance, which the World Bank is dead against. Third World peasants rarely have the necessary capital, and even if they were to, there would be a time lag before such work is completed and begins to bear fruit. By that time market conditions might have changed once again. The peasant might wind up having made large investments in a crop whose prices by now have fallen.

Fourthly, the crop may be affected by natural hazards -- pests, floods, frost, droughts, storms. This is largely out of the control of the individual peasant.

Given all these uncertainties, peasants naturally tend to be cautious about switching from a crop they have experience in to one they have never grown before. This is even more the case when they have made substantial investments in a particular crop -- for example, coffee, cocoa, tea, and rubber trees have to be planted years before they yield a crop.
Finally, all such models assume perfect information among all those participating in the market -- when in fact this is never the case. Not peasants, but domestic and international traders have the best information, and are in the best position to reap the profits of any shifts in demand. It is also they who have the money to buy up large stocks and to store them.

Indian agriculture's backwardness

Turning to India, it is obvious that agriculture plays a very different role here from that in the developed world. Only two per cent of the workforce in the U.S. is engaged in agricultural operations, whereas two-thirds of the Indian population is composed of cultivators and agricultural labourers. Indeed, the economic condition of all those in the rural areas -- including various types of artisans and petty tradesmen -- is bound up with the performance of agriculture: for example, in a drought year, they too suffer as much as cultivators. The fate of workers in industries such as textiles, jute, sugar, edible oil, rubber, tea and food processing, is also bound up with the performance of agriculture. Indeed, jute workers and sugar mill workers have virtually seasonal employment; textile workers, particularly handloom workers, are also particularly vulnerable to changes in cotton/yarn prices. Thus while in the developed world changes in agriculture and agricultural trade concern only a small section of the population and the multinational agribusinesses, in Third World countries like ours they concern the vast majority of the population.
As mentioned earlier, the Memorandum’s argument depends heavily on the notion that peasants can respond swiftly to ‘price signals’ (eg. if the price of a particular commodity goes up, they would switch to producing that commodity). No doubt in the developed world virtually all farmers produce exclusively for the market. However, in India, the bulk of the surplus foodgrain is produced by farmers in irrigated areas of northwest India. For example, in 1993-94, Punjab, Haryana and U.P. (west U.P.) accounted for 94 per cent of Government wheat procurement; Punjab, A.P. (certain coastal districts), Haryana and (west) U.P. accounted for 84 per cent of rice procurement.

For most Indian peasants, a policy which justifies hiked input prices by offering increased output prices is actually a double blow. They must on the one hand pay more for inputs without being able to benefit much from increased output prices (they do not have much marketable surplus, and what they do nevertheless sell is often sold under some duress -- for example, to repay loans -- which in turn means they have little scope to extract they best possible price). And on the other hand, they must later return to the market to buy foodgrains at higher prices for their own consumption.

Indeed, given the backwardness of Indian agriculture as a whole, it makes very little sense to talk of them responding swiftly to price signals. Only a little over one-third of the net cultivated area is irrigated. Less than 30 per cent of it is cropped more than once a year. Investment in agriculture, which is crucial to boost production in the long-term, fell from Rs 4,636 crore in 1980-81 to Rs 4,407 crore
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in 1991-92 (at 1980-81 prices) (Economic Survey 1994-95). Particularly with the Centre’s assistance to state Plan spending going down during the last five years, public sector investment in agriculture (the responsibility of state governments) has suffered.

Per capita foodgrains production has shown noteworthy gains in only three or four states, while in a number of states -- A.P., Bihar, Gujarat, Himachal Pradesh, J & K, Karnataka, Maharashtra, Rajasthan -- it has actually declined. (See Table 1 from CMIE, Basic Statistics Relating to States of India, September 1994)

Despite the ‘Green Revolution’ in pockets of the country, per capita net availability of foodgrains has improved very slightly over the preceding three decades, from 461 gm/day during 1961-65 to 478 gm/day during 1991-94 (within this, per capita net availability of pulses fell from 60.7 gm/day during 1961-65 to 36.6 gm/day during 1991-94). Compare these figures with the minimum per capita daily requirement recommended as dietary norms by the Indian Council of Medical Research. For an adult man doing moderate work: 570 gm cereals and 47 gm pulses; for an adult man doing heavy work: 730 gm cereals and 47 gm pulses; for an adult woman doing moderate work: 485 gm cereals and 47 gm pulses; for an adult woman doing heavy work: 728 gm cereals and 47 gm pulses.

The supposed surplus of foodgrains which India has available for export, and the giant foodgrains stocks in the FCI’s godowns, are actually the result of the Indian poor not having the money to buy them. They are a grotesque expression of the poverty of the Indian poor and landless peasantry.
Mirage of better terms on world market

Let us turn now to the global market, which the Memorandum (and various Indian supporters of GATT) portray as the liberator of the Indian peasant. The following features stand out: first, demand for agricultural commodities is inelastic in relation to changes in price; second, there is a long-term trend of falling prices of agricultural commodities in the world market; thirdly, international trade in agricultural commodities is very narrow, with adverse implications for Third World buyers as well as sellers; fourthly, this market is subject to sharp fluctuations, and perhaps even sharper ones in the years to come, as stockholding levels are drawn down; fifthly, it is in the control of a small number of transnational corporations; sixthly, the promised GATT bonanza of increased demand for agricultural exports is vastly exaggerated, if not altogether illusory.

Inelastic demand

Global demand for all primary commodities tends to be inelastic — that is, demand does not fall proportionately when prices are raised, and does not rise proportionately when prices fall. Thus in order to increase the volume of exports of a primary commodity by a certain percentage, the producer would have to sustain a larger percentage fall in its price.

It is easy to see why this is so for primary commodities. People do not drink more tea or coffee simply because their prices fall. Moreover, the prices of most primary commodities are only a fraction of the final price at which the finished product is
sold, and hence their changes in price have little impact on final demand. Thus estimates of the price elasticity of global demand for cocoa over the short run (one to three years) are between -0.2 and -0.4. In which case, a 10 per cent increase in global cocoa exports might lower the world price for cocoa by five per cent. Thus despite an increase in the volume of cocoa exports, the exporting countries would wind up with gross export revenues that are more than four per cent lower. (GEP94, p.45)

Indeed, the 1980s provided dramatic evidence of this tendency. Following the hike in U.S. interest rates, many Third World borrowers found themselves unable to service their existing debt with more expensive and harder-to-come-by loans. They had to turn to the IMF and World Bank, who insisted on 'structural adjustment', one of the key tenets of which was to increase their exports.

With the onset of the Third World debt crisis, says the Bank, "31 countries in sub-Saharan Africa and 10 countries in Latin America implemented Bank- and IMF-supported structural adjustment programmes designed, in part, to raise the volume and value of exports." The consequences for both the volume and value of exports were dramatic, but in contrary directions. There were large increases in the volume of exports, but, as the Bank admits, "between 1979 and 1992, real commodity prices virtually collapsed -- beverage prices fell by 74 per cent, cereals by 44 per cent, oils and fats by 57 per cent, logs by 24 per cent, and metals and minerals by 36 per cent. Were these price declines the result of structural
adjustment programmes that raised the export volumes of these commodities? Clearly there were large increases in output, and such increases in output put strong downward pressure on prices." (GEP94, p. 48) The Bank then tries to compensate for this admission by pointing out that the increases in export volumes were not limited to countries under structural adjustment programmes, but to some extent were true for other countries as well. But all this actually shows is that when some countries lower prices and increase export volumes, this forces other countries, too, to lower prices and raise export volumes in an effort to maintain export revenues. The combined effect is lower revenues for all the primary commodity exporters. Given that the Bank and IMF were advising all the 'adjusting' countries simultaneously to expand exports of the same primary commodities, they must have been perfectly aware of what the consequences would be. Indeed, the Bank admits, "Ever since these programmes were implemented, the World Bank and IMF have received criticism for failing to take into account the combined effort of the resultant export increases on world prices." (GEP94, p.49)

The Memorandum criticises the fact that, in India, agriculture's share of total exports has fallen during the 1970s and 1980s, and that India's share of the world market in agricultural exports has fallen. But the above-mentioned experience of other Third World countries who have tried to jack up their agricultural exports in the face of inelastic demand
tells us of the possible consequences of such an effort.

Long-term decline in demand

Not only is world demand for primary commodities inelastic, it has been declining over the years. Economic activity in the developed world has shifted to products and services requiring less raw material input; synthetic substitutes have been developed for natural raw materials; and the materials intensity of industrial output has generally declined with technological change. While industrial production in the OECD countries (the rich countries) grew 5.8 per cent/year during 1963-73, 3.3 per cent/year during 1973-80, and 1.5 per cent/year during 1980-86, agricultural raw materials consumption by industry rose by only 0.6 per cent/year during 1963-73, and then fell 1.3 per cent annually during 1973-80 and 0.1 per cent/year during 1980-86. Agricultural raw materials consumption per unit of industrial production fell at an annual average rate of 4.2 per cent, 4.2 per cent, and 1.5 per cent during the three periods. Similar trends held for metals and minerals. (GEP94, p. 40)

Plastics took the place of abaca in cordage, leather in footwear, coir in upholstery and matting. Jute demand fell both as the result of synthetic substitutes and the increased use of bulk handling equipment for handling and storing grain. Synthetic rubber replaced rubber in many areas. As for food products, as income has grown in the developed world, the share of income spent on food, particularly on cereals, has fallen. Declines in markets have also
resulted from changing tastes in the developed countries. For example, daily consumption of coffee per capita in the U.S. is less than half what it was in the 1960s. Soft drinks have eaten into the share of coffee and tea. Consumption of tobacco has declined similarly.

Technological innovation continues to threaten Third World producers. For example, in the 1980s cane sugar's market in the developed world was invaded by a new artificial sweetener (aspartame) and by High Fructose Corn Syrup (corn is grown largely in the developed world). The key moment was when the major cola manufacturers switched to HFCS. The collapse of such markets devastated Third World sugar exporters. In 1985, in Negros, the region that produces two-thirds of Philippine sugar, "Out of a population of two million, 250,000 are out of work. This is not just seasonal unemployment. Most of the mills have been closed down. Next year's cane has not been planted. The small planters face economic ruin, the workers starvation." (The Guardian, 20/8/85, quoted in Monthly Review, May 1988) More such developments may be expected: for example, flavour chemists have in the 1980s deployed enzyme and fermentation technology to create cocoa substitutes that cost half as much to produce as natural cocoa extracts. (Ibid)

In other words, even as the World Bank advises the Third World in general to increase its agricultural export volumes, there are strong historical currents towards reducing the market in the developed countries for these commodities. This would only accentuate the earlier mentioned weakness of demand, tendency towards glut, and falling prices.
Narrow markets: India as a seller

So far, India has not been a major importer or exporter of agricultural products, except for few such as tea. However, its entry into the market both as a buyer and as a seller (in order to follow the Bank’s logic, it would have to do both) would be bound to create a dramatic impact. For India is a large consumer and a large producer of agricultural products (in absolute aggregate terms, though not in per capita terms).

For example, the Memorandum recommends that India export rice in a big way. (Indeed, as mentioned earlier, it even sweepingly claims that by expanding cotton and rice exports India could import its entire edible oil requirements and still have a surplus of $1.6 billion.) Pointing to the huge stocks of rice (which have been built up by pricing PDS rice out of the range of the poor), the Government has been actively following the Bank’s advice. In 1995-96 about 3.5 million tonnes of non-basmati rice have been exported. The Economic Survey 1995-96 portrays this as a turning point in India’s exports: “Rice and wheat are emerging as major export products. Quantitative ceiling and Minimum Export Price in respect of rice has been abolished. To further enhance exports, Food Corporation of India has been permitted to export/sell for exports three million tonnes of fine/superfine varieties of rice. Export of wheat, upto 2.5 million tonnes in the case of non-durum wheat and 0.5 million tonnes in the case of durum wheat, has also been permitted.” (p. 143; emphasis added)

However, all this self-congratulation is unwarranted. The 1995-96 performance does not presage
any long-term growth in cereal exports. World rice exports are quite small -- just 15.7 million tonnes (milled) in 1994, less than India's average stock level in 1995. World rice trade is only four to five per cent of world rice production, and its total value in 1994 was just $5.4 billion. In 1994, the major rice exporters were Thailand (4.7 million tonnes), the U.S. (2.6 million tonnes), Vietnam (2.2 million tonnes), China (1.5 million tonnes) and Pakistan (1.2 million tonnes). (Commodity Review and Outlook 1994-95, Food and Agricultural Organisation, U.N.; hereafter referred to as FAO95)

As with all other commodities, rice prices have been depressed during the 1980s, falling from a peak of $483/tonne in 1981 to a low of $211/tonne by 1986, recovering only partly to $270/tonne by 1993 (GEP94 p. 79) India was able to enter the rice market as Thailand, Vietnam and the U.S. had poor harvests in 1995, and instantly India became the second-largest exporter of rice. In mid-1995, Indian rice exports were priced between $250 and $290, depending on quality. However, with winter rice harvests in Thailand and Vietnam recovering, these two countries are expected to boost their exports, and Indian rice exports too are expected to fall. The Government does not hope to export more than 2.5 million tonnes in 1996-97, at best.

India's rice production in 1995-96 was 80 million tonnes; its average stocks in 1995 were about 16 million tonnes. As is evident from the above account, world trade in rice is so small that it cannot serve as a market for more than a small fraction of the total Indian output. Attempts by India to gain a larger share of the world market would surely have
the effect of driving down further already depressed international prices.

Narrow markets: India as a buyer

On the one hand, as a major producer, India’s entry into world markets in agricultural products would drive down prices, to the detriment of Third World producers, including itself. On the other hand, any attempt by a large consumer like India to substitute domestic production with imports would have a contrary impact on prices.

For example, India consumed, in 1993-94, about 6.3 million tonnes of edible oil/vanaspati, almost all of it domestically produced. World exports of edible oils in 1993 were about 21 million tonnes. If India were to take the Bank’s advice and stop production of oilseeds in favour of import of edible oils, that would sharply raise edible oils prices internationally. In 1993 world edible oils prices ranged between $378/tonne (palm oil) and $738/tonne (groundnut oil). Even at these prices, India’s total requirements would cost well over $three billion to import. But more importantly, the entry of such a major importer would send world edible oils prices soaring. In that case, domestic prices too would rise; moreover, if enough foreign exchange were not available, there would be a shortage of edible oil in the country. All manner of blackmarketeers would exploit the opportunity to hike prices further.

Partly as a result of Government-funded research and extension efforts in the late 1980s (the National Oilseeds Mission), domestic edible oils production grew and edible oils imports decreased from 1.6
million tonnes in 1983-84 to one million tonnes in 1988-89 and finally to 0.1 million tonnes in 1993-94. However, since 1993, the Government has stopped its Market Intervention Operations in support of oilseeds (carried out through the National Dairy Development Board) on the grounds of losses in these operations. As a result, imports grew to 0.6 million tonnes in 1994-95, and appear to have climbed further since. (During November 1994-October 1995 around 0.8 million tonnes were imported at between Rs 1,500 and Rs 2,000 crore. Warning against growing dependence on imports, a Parliamentary committee has submitted a 112-page report to the Lok Sabha on March 7 calling for the resumption of the MIO, as well as investment in irrigation, extension efforts, and other assistance to oilseeds development (dryland farming techniques, adequate and timely supply of seeds and other inputs, proper storage facilities, collection of various hitherto unexploited seeds, and the setting up of an Edible Oils Board to ensure stable prices and growth). However, in the face of World Bank and GATT directives, these recommendations are certain to be ignored.

Since commodities such as edible oils, sugar, pulses and cereals are essential, in the absence of adequate domestic production India would be more or less compelled to import, whatever be the price. Leaving the country's food security entirely to the winds of the global market would thus provide a bonanza for international and domestic speculators. India has already had a small taste of this in 1994: as international sugar trading firms such as Cargill, Sucden Kerry, Marc Rich, Phibro, and others saw
that India was about to import, sugar prices rose in the international market from $280/tonne in November 1993 to around $410/tonne in June 1994. (Aspects no.14, p. 16) It is important to note that this bonanza accrued not to sugarcane growers, or to the sugar exporting countries, but to international sugar trading firms.

**Sharp fluctuations**

Given that for each agricultural commodity three or four countries account for the bulk of supply to the world market, where a small number of corporations control the bulk of trade, and given that there are many possible causes of short-term shortages in one or the other supplying country (drought, flood, pests, frost) which cannot be compensated for quickly by increased supply by other countries, agricultural commodity prices are particularly volatile.

It is this volatility that advocates of agricultural 'liberalisation' take advantage of in order to project fantastic returns to farmers upon the opening up of agricultural trade. It is true that in a year of shortage -- say, when frost affects Brazil’s coffee crop -- prices soar; but the following year, when the reasons for the earlier year’s shortage no longer exist, prices collapse suddenly. Not only is it deceptive to point to the peaks; even to look at the average of the peaks and troughs would not capture what is actually happening to the peasant. A number of years of high prices may even lead producers to invest in expanding production, whereupon oversupply sends prices into a long-term depression. Such uncertainty makes it difficult for growers to make the long-term
plans necessary in order to raise output. When returns plummet, producers no doubt cut back on consumption, but they cut back even more sharply on investment. Such strangulation of investment has a profound debilitating effect.

Moreover, in years of hardship, Third World peasants, who have little access to formal banking, are frequently forced to borrow from moneylenders or traders. The high rates of interest on such loans suck away whatever surpluses come the peasants’ way in good years.

Most commodity-producing nations have made a number of attempts to check such volatility, in the main by (i) entering into agreements amongst themselves, and (ii) domestic price stabilization schemes (building up buffer stocks while guaranteeing growers stable returns through Government procurement; or through fiscal measures, taxing profits in good years in order to subsidize crops in poor years). The Third World debt crisis of the 1980s gave the developed countries a chance to smash both these efforts. The IMF-Bank duo forced dozens of countries into ‘structural adjustment’, which, as mentioned earlier, included expanding the volume of commodity exports regardless of the effect on world commodity prices. Under such conditions, coordination among producing countries became impossible.

Of the four agreements among agricultural commodity producers, the International Sugar Agreement (started in 1954) lapsed in 1983; the International Coffee Agreement (started in 1962) was suspended in 1988; the International Cocoa Agreement (started in 1972) was suspended in 1989; and the Interna-
tional Rubber Agreement (started in 1980) only survives, albeit shakily, because of a boom in latex demand due to the spread of AIDS. "In virtually each case", says the Bank, "the end of the agreement was associated with a price fall of around 40 per cent". (GEP94, p. 58)

Moreover, in all 'structurally adjusting' countries, Fund-Bank demands for 'fiscal austerity' targeted very early on the practice of buffer stocking. "Domestic price stabilization schemes", claims the Bank, "easily become hidden subsidies, are expensive to administer, and can create heavy demands on government budgets." (ibid., p.4) Little wonder that, with the Bank and Fund running the show, such schemes have been dismantled in country after country. In the case of both international commodity agreements and domestic price stabilization schemes, the Bank declares that they "tend to fail or collapse", while neglecting to mention the Bank's own role in bringing about such failure or collapse.

The passages quoted earlier from the Memorandum make it clear that in India State procurement of foodgrains and provision of support to oilseeds production are to be under attack. Perhaps they will be proceeded against after the elections.

Will GATT open up huge markets for Third World farmers? -- FAO projections say no

However much they may theorize, the advocates of agricultural 'liberalisation' are unable to dispute the sorry history of agricultural commodity producers. Hence their trump card is the GATT agreement. We are told that with this agreement, all sorts of barriers to agricultural trade will be
dismantled worldwide, and that the heavy subsidies to agricultural producers in the developed countries will be reduced. As a result, agricultural trade as a whole will surge, and in particular Third World crops will find huge markets opening up in the developed countries. Since the estimates of the effect of the GATT agreement on world trade and income depend on constructed models, which in turn depend on a number of assumptions, various widely conflicting estimates have been produced. Various GATT estimates have predicted world income gains between $109 billion and $510 billion; a World Bank-OECD estimate puts the gains by 2002 at $213 billion.

A recent document of the United Nations' Food and Agricultural Organisation (FAO), *Commodity Review and Outlook 1994-95*, throws cold water on all this rosy speculation. The FAO, the authoritative source of information on world agricultural trade, has made its own calculations as to the effects of the Uruguay Round (the latest GATT agreement). Here are a few of its main observations on the basis of its calculations: "Overall, the impact of the Uruguay Round is negligible on agricultural production". Per head consumption of agricultural products, says the FAO, will continue to decrease, and the Uruguay Round "will not overturn the slowdown that is caused by decreased import growth in the main developed markets". FAO's detailed commodity-specific quantitative analysis of the Agreement on Agriculture reveals that "Even with the Uruguay Round, aggregate output of agricultural commodities is projected to grow at 1.6 per cent per annum from 1987-9 to 2000, compared to 2.2
per cent in the 1980s. For food commodities, the slowdown in global output is greater for wheat and rice, meat (other than bovine), and dairy products. As regards other commodities, the slowdown is greater for coffee and cocoa. On the other hand, some gains are envisaged vis-a-vis past growth rates in the global output of coarse grains, tea, sugar and bananas... By the year 2000, developing countries' agricultural exports are expected to increase by some $45 billion, of which $10 billion is estimated as due to the Uruguay Round. The much-touted GATT gain works out to perhaps four dollars per head in the rural areas of the Third World.

At the same time, expenditure on agricultural imports by the developing countries (the Third World) will also go up, and so, instead of an improvement in the balance of payments, the Agreement on Agriculture would leave the situation more or less as it is (to be precise, worsening the balance of payments by $one billion).

Table 2 gives us an idea of the additional export markets for agricultural products as a result of the Uruguay Round. Column 2 of Table 2 states the world average annual exports of various commodities during the three-year period 1987-9; column 3 projects what the exports would be in the year 2000 without taking into account the Uruguay Round agreement; and column 4 projects the figures for 2000 taking the agreement into account. Column 6 tells us the percentage difference between columns 3 and 4, that is, the effect of the Uruguay Round agreement. What column 6 reveals is that, according to the FAO's calculations, the impact of the agree-
Table 2: World exports of select agricultural commodities.

<table>
<thead>
<tr>
<th></th>
<th>1987-89 avge. (Actual)</th>
<th>2000 Without Gatt (Proj.)</th>
<th>2000 With Gatt (Proj.)</th>
<th>% Incr. of col. 4 over col. 2</th>
<th>% Incr. of col. 4 over col. 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>115.5</td>
<td>117.8</td>
<td>114.8</td>
<td>-0.6</td>
<td>-2.5</td>
</tr>
<tr>
<td>Rice</td>
<td>13.0</td>
<td>17.7</td>
<td>18.9</td>
<td>+45.4</td>
<td>+6.8</td>
</tr>
<tr>
<td>Milk</td>
<td>57.5</td>
<td>54.3</td>
<td>54.5</td>
<td>-5.2</td>
<td>-0.4</td>
</tr>
<tr>
<td>Coffee</td>
<td>4.2</td>
<td>5.1</td>
<td>5.1</td>
<td>+21.4</td>
<td>0</td>
</tr>
<tr>
<td>Tea</td>
<td>1.0</td>
<td>1.3</td>
<td>1.3</td>
<td>+30.0</td>
<td>0</td>
</tr>
<tr>
<td>Sugar</td>
<td>22.0</td>
<td>25.5</td>
<td>25.8</td>
<td>+17.2</td>
<td>+1.2</td>
</tr>
</tbody>
</table>

Source: Commodity Review and Outlook 1994-95, FAO
<table>
<thead>
<tr>
<th></th>
<th>1987-89 avge.</th>
<th>2000 without Gatt</th>
<th>2000 with Gatt</th>
<th>% incr. of col. 4 over col 2</th>
<th>% incr. of col. 4 over col. 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>8.5</td>
<td>8.8</td>
<td>10.0</td>
<td>17.6</td>
<td>13.6</td>
</tr>
<tr>
<td>Rice</td>
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<td>13.8</td>
<td>15.0</td>
<td>66.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Milk</td>
<td>1.1</td>
<td>2.5</td>
<td>2.9</td>
<td>163.6</td>
<td>16.0</td>
</tr>
<tr>
<td>Coffee</td>
<td>4.2</td>
<td>5.1</td>
<td>5.1</td>
<td>21.4</td>
<td>0</td>
</tr>
<tr>
<td>Tea</td>
<td>1.0</td>
<td>1.3</td>
<td>1.3</td>
<td>30.0</td>
<td>0</td>
</tr>
<tr>
<td>Sugar</td>
<td>13.2</td>
<td>17.3</td>
<td>17.3</td>
<td>31.1</td>
<td>0</td>
</tr>
</tbody>
</table>

Source : Ibid
ment on agricultural exports of milk, coffee, and tea is zero or near-zero. Its impact on sugar exports too is negligible, and its impact on wheat is negative. (The FAO calculates similar results for coarse grains, rubber, and bovine hides and skins.) Rice exports alone are increased by a large percentage as a result of the Uruguay deal, but since the total quantity of rice exports is very small, this has hardly any significance.

Table 3 is similar, except that it gives the corresponding projections for agricultural exports of the Third World alone. It would appear from column 6 of Table 3 that exports of wheat, rice and milk from the developing countries will increase by large percentages even without the GATT deal, and even more as a result of it. However, here too the percentages are misleading. The absolute quantities involved are very small. Wheat exports from the Third World would rise only 1.5 million tonnes between 1987-9 and 2000. Rice exports would grow by six million tonnes -- just 1.6 per cent of the 386 million tonnes of rice that will be produced in the Third World by the year 2000. Third World milk exports are projected to grow by 1.8 million tonnes -- just 0.9 per cent of Third World production by that year, and only 3.3 per cent of world milk exports.

If we go by the FAO's calculations, there is to be no great opening up of world markets to Third World farmers. The bonanza is a mirage.

Continuing protection of developed world markets

Among the several reasons for this, the FAO highlights the fact of continuing protection and
subsidy by the developed countries for their own agriculture. Total transfers (subsidies of one type or another) to agriculture in the OECD countries -- the rich countries -- was $332.4 billion in 1991, $338.6 billion in 1992, and $335.3 billion in 1993. Transfers per full-time farmer actually rose from $13,300 to $14,100 to $14,400 in those years. The FAO debunks the notion that these subsidies are to disappear with GATT: "the level of agricultural protection remains high. World agriculture is still characterized by heavy support to farmers in the industrialized countries and the continuing use of export subsidies, which will only begin to be reduced by 1995. Overall, agricultural commodity markets continue to be beset by problems which have only partly been tackled by the Uruguay Round Act. Questions of traditional protectionism still loom large, eco-protectionism [ie using the excuse of ecological concerns to keep out imports] is causing concern, the projected loss of preferences by many developing countries is serious, and market instability and tariff escalations are still causing problems."

The FAO notes that, while several countries have been opened up to imports, the heavily subsidizing developed countries have not agreed to do away with the bulk of subsidies to their agriculture: "the Uruguay Round only represents a partial reduction in protectionism. Only a relatively small cut in domestic support to agriculture is envisaged though more substantial cuts in border protection are to be made". Although the FAO does not say so, it is easy to deduce from the above that the net effect will be to force open Third World agricultural
markets while putting up invisible barriers to the entry of Third World products into developed world markets.

MNCs, the real beneficiaries

If indeed the scenario for agricultural commodity producers is as bleak as we have painted it -- inelastic demand, a long-term decline in producer prices, narrow markets, violent fluctuations and consequent uncertainty, and no benefits (indeed, fresh dangers) from GATT -- then who stands to gain from the changes pressed by the Bank?

Agricultural commodity trade is controlled by a handful of giant agribusinesses. The proportion of global exports marketed in the mid-1980s by three to six transnational corporations is as follows: wheat -- 85-90 per cent; maize -- 85-90 per cent; sugar -- 60 per cent; coffee -- 85-90 per cent; rice -- 70 per cent; cocoa beans -- 85 per cent; tea -- 80 per cent; bananas -- 70-75 per cent; timber -- 90 per cent; cotton -- 85-90 per cent; tobacco -- 85-90 per cent; natural rubber -- 70-75 per cent; jute and jute products -- 70-75 per cent. (GEP94, p. 41)

These small cartels can amongst themselves manipulate the market to drive prices up or down.

The main markets for commodities are the developed countries, accounting for 72 per cent of world commodity exports. But, as can be seen from the earlier mentioned figures, even in the case of commodities produced in a Third World country and consumed by another Third World country, the trade is usually mediated by a transnational corporation.
These transnational corporations have ensured that they cannot be easily displaced from their dominant position. Through collusion among themselves, direct pressure on Third World governments and World Bank-IMF pressures, the TNCs ensure that producer countries find it very difficult to process, distribute and market products independently. At any rate, the TNCs’ huge investments in advertising have given them ‘brand recognition’ and ‘loyalty’, which would be near-impossible for new entrants to overcome -- equally large investments would be required. Given the TNCs’ stranglehold, they manage to pay primary commodity producers only a tiny share of the final product price. For raw cotton the growers’ price represents about four to eight per cent of the final product price; for tobacco this share is close to six per cent. Producer countries obtain only about 14 per cent of the retail price of bananas; 11-24 per cent in the case of jute goods; between 12 and 25 per cent in the case of coffee; and 15 per cent in the case of tea sold in tea bags in the U.S. (ibid, p. 41)

Despite the already low prices of commodities, further depression of their prices helps fill the coffers of transnational corporations, and boost the ailing economies of the developed countries. The estimated annual loss to developing countries from the fall in commodity prices between 1980 and 1993 averaged $100 billion. The World Bank’s index for real non-oil commodity prices halved. (ibid, p. 32) In 1986 alone, as the IMF’s May 1990 World Economic Outlook happily noted, “the income gain to the seven major industrial countries was equivalent to $115 billion, or about 1.25 per cent
of their combined Gross National Product. In addition to the direct income gain, declining prices helped to dampen price pressures in the major industrial countries. Of course, the weakness of commodity prices, coupled with relatively high real interest rates and external financing constraints resulting from the debt crisis, damaged the growth performance of the developing countries in the 1980s..." (p.10)

Multinationals stand to profit not only by India's agricultural exports, but also by its opening up to imports. At the moment the Indian Government is very pleased that it has 'surplus' stocks of cereals even as global cereals stocks are down, and the price in the international market has risen. This has allowed it to export not only rice but even wheat. (Note, however, that in such short-lived price surges the peasant, who has already sold his/her crop, does not benefit, but rather the trader does.) Now, it is worth considering for a moment India's fate as it step by step implements the Bank's recommendations and draws down its food stocks, relying instead on foreign exchange reserves to import foodgrains in an emergency.

First, as we have argued in earlier issues of *Aspects*, India's foreign exchange reserves are increasingly unstable, and can be drawn down dramatically in case foreign speculators decide to withdraw their capital. In that case, if there were a shortage of grain, there would be neither food stocks nor the cash to import them.

Secondly, as we mentioned earlier, in the case of a large country such as India, recourse to imports would surely raise prices steeply in the world grain
market. This would be accentuated by WB-IMF-directed austerity measures in a number of countries coupled with GATT strictures against buffer stocking operations. The FAO noted in 1995: "In the past, when governments were more interventionist in commodity markets, a cyclical downturn in demand led to a large accumulation of government stocks, built up to support producer prices. With growing liberalization and fiscal austerity, governments may not in future be disposed to accumulate stocks, leaving them increasingly in private hands. By the same token they will not be able to draw on such reserves to dampen price increases. In this emerging situation, the world community will need to consider again the adequacy of stocks, particularly those linked to food security".

The FAO warned in particular that for developing countries, "the Uruguay Round will raise food import bills... On balance, the Agreement (on Agriculture) will slightly slow consumption growth in the low-income, food deficit countries." (FAO95)

Since 1995, when the U.S. crop came in lower than expected, wheat prices have been at 15-year highs. The FAO's journal Food Outlook in March 1996 reports that world cereal production in 1995 fell by about three per cent. To meet the requirements for 1995-96, global cereal stocks have to be drawn down by almost 50 million tonnes from their already low opening level to well below the 17-18 per cent range that the FAO Secretariat considers the minimum necessary to safeguard world food security. The journal predicts that prices will soar further and will affect food security prospects, "particularly of low-income food-deficit countries", whose import
The bill is estimated to rise by $three billion. The situation, it warns, is "volatile".

If India were to dismantle its buffer stocking operations, and depend upon imports for emergencies, the situation would become even more "volatile". That is, international agribusinesses, who control 85-90 per cent of the wheat trade and 70 per cent of the rice trade, would be able to manipulate prices upwards and make a killing -- at the expense of the Indian people.

**Dangers of dependence on fertiliser imports**

What would be the impact of the World Bank's recommendations regarding the fertiliser industry? As noted earlier in this article, the Bank presses for fertiliser to be raised to the level of import prices of fertiliser, and argues that those Indian firms which producer fertiliser at costs higher than the cost of imported fertiliser should be allowed to close.

Of the three types of chemical fertiliser, nitrogenous, phosphatic and potassic, India already imports all its requirements of the last, as it has no known source of potash. This amounted to 1.3 million tonnes in 1994-95. The World Bank's recommendation would directly affect the nitrogenous and phosphatic fertiliser production. In 1994-95, India produced eight million tonnes of nitrogenous fertiliser (urea) and 2.6 million tonnes of phosphatic fertiliser. In 1993-94 world exports of nitrogenous fertiliser were 19.6 million tonnes, and of phosphatic fertiliser 11.3 million tonnes. Indeed, India is, after China and the U.S.A., the third largest consumer of nitrogenous fertilisers and phosphatic fertilisers
in the world. (Fertiliser Statistics 1994-95, Fertiliser Association of India.)

Following the Bank's advice would have a number of disastrous consequences for the Indian peasantry. First, imported urea is more expensive than the controlled price at which urea is sold today. Increasing urea prices to international levels would also cause a drop in production; this topic, however, we will cover in a future article.

Secondly, once domestic prices are set at import prices and free imports of fertiliser are allowed, those Indian plants which do not produce at or below import prices in that particular year would make losses and would be unable to continue production. The Bank recommends that such plants not be sustained by subsidy. This is what the Memorandum means by international prices giving "exit signals" to "inefficient" fertiliser plants. Once several domestic fertiliser plants are closed, the country would be helplessly dependent on imports even if import prices rose. For it takes no time to shut down a plant, but a long time, and much investment, to start one. The international fertiliser market, alive to the profit-making opportunities in India's helpless state, would increase world prices.

Even otherwise, world fertiliser prices are volatile. For example, world urea prices in January-June 1994 ranged from $95 to $130 per tonne; for January-June 1995 they ranged between $162 and $230 per tonne - a 70-77 per cent increase (ibid.) In 1995-96 prices have apparently climbed further. (When such is the volatility of world fertiliser prices, how can they rationally be used as a measure of the efficiency and competitiveness of Indian
fertiliser producers? By this logic an Indian fertiliser plant may be deemed inefficient one year, and the next year, solely due to a change in global prices, be deemed efficient."

Moreover, with each depreciation of the rupee, the rupee costs of fertiliser would climb even further. We have seen in 1995-96 how unstable the rupee's exchange rate can be.

At present the Indian peasant is partly cushioned from these shocks by the continuing subsidy on urea and the provision of some concessions on phosphatic and potassic fertilisers. Because elections are due soon, the Government has allowed the fertiliser subsidy to swell in 1995-96 rather than hike prices. This will not last long. The Economic Survey 1995-96 notes that "The fertiliser subsidy budget of 1995-96 is likely to come under pressure mainly on account of fluctuations in the exchange rate and increase in the international price of urea". The Survey makes it clear that the "relatively low price of nitrogenous fertilisers" will soon be "corrected".

All this portends high and unstable fertiliser prices for the Indian peasant in the future. Even the Bank is unable to entirely brush away the dangers of substituting domestic fertiliser production with imports. A footnote in the Memorandum mentions: "One of the concerns of Government in removing protection for the domestic fertiliser industry is the projected impact on world prices if India enters the world fertilizer market... Although in the short term, India's going to the world market for increased supplies (say 2.5 million tonnes or 25 per cent of current consumption) would increase prices by 30
to 50 per cent, long run impacts would be much less, on the order of four per cent for nitrogen and seven per cent for potash". (p.89; emphasis added.) No reference is quoted for these calculations.

In the above article we have touched on only certain aspects of the World Bank and GATT directives regarding Indian agriculture. Other aspects too are important -- the hikes in other input costs (electricity, water), the phasing out of mandatory rural lending by banks, the folding up of State-run seed companies and State-funded research activities and allowing foreign firms to take their place, and so on. However, it is easier for peasants to see that these measures are against their interests. What we have tried to expose in the above article is that the rewards of 'free trade' that supposedly await the Third World peasant are in fact a mirage.