CLASS DIFFERENTIATION AND CRISIS OF AGRARIAN PETTY PRODUCERS IN INDIA

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Abstract: Capitalist development in the last three decades in India has sharpened the class differentiation in agriculture. Increasingly, there is a sharp class division that is taking place between petty commodity producers and the capitalist farmers. The presence of a large number of petty commodity producers and informal nature of agricultural enterprise in India constantly reduces profitability, brunt of the crisis caused by this tendency is being borne by petty commodity producers. Forced by the pauperization, petty commodity producers are forced to diversify their incomes into wage activities in farm as well as non-farm activities. Indeed, all classes of farmers diversified their incomes away from agriculture, marking a structural transformation towards petty bourgeois capital on one hand and wage labour on the other. Pauperization of petty producers is also manifesting in a large number of suicides in the Indian countryside. The article provides empirical evidence for these processes at work in the Indian countryside.

Key words: petty commodity producers; small farmers; class differentiation; farmers; suicides; non-farm diversification

The growth and nature of India's capitalist development have always attracted intellectual attention in India and abroad over several decades. After stagnating for more than a half a century under the colonial rule, the Indian economy recovered through the state-led planned development strategies for four decades, complimented by private capital. By the 1980s, it attained higher growth that continued after full-scale liberalization in the 1990s. The soft underbelly of this capitalist development has been the large chunk of workers still dependent on agriculture. However, despite the slow rate of structural transformation, there is discernible acceleration in the rate of migration of workers from the agricultural sector. Over the last decade, agriculture-dependent workers have declined from 56% to 46%, according to *Agricultural Census 2011*, which has been fastest decadal decline in the last half a century. Given the negative and low elasticities of employment in industrial and service sectors, the possibility for any further decline in agricultural workforce does not appear promising in the immediate future (Behra and Ramanamurthy 2014). Further, there is an overwhelming share of cultivators with small holdings. While size of holding is no impediment for developing capitalist relations, it certainly imposes constraints for accumulation. Thus, an overwhelming share of farm households in India can be said to be petty commodity producers (PCPs), who participate in generalized commodity production with a sizeable share in production as well as marketed surplus (Government of India 2003); they are facing a severe viability crisis. Endemic state of indebtedness of petty producers often degenerates into an acute condition of debt trap which have led to more than 300,000 suicides of farmers in the last two decades. Situated in this context, this article seeks to explore the comparative conditions of farming among different classes of peasants in order to understand worsening conditions for petty producers in agriculture. It uses the data obtained from field survey in villages in South India to substantiate this claim.

1. Petty Commodity Production in Capitalist Development

Transformation of agrarian relations, according to received theory, necessarily brings all hitherto existing forms of production such as traditional subsistence farming into commercial agriculture (Marx 1986a, 694). Industrial development would not only influence this transformation but also quickens its pace through mechanization and technology both to improve productivity and to displace labour from agriculture. Petty producers are incorporated into commodity production, lured by the prospect of improving income and consumption, despite the fact that they are ill equipped to face the risk involved in agriculture. Even though the terms of trade can move in favour of agriculture given slow growth and inelastic nature of supply, long-run improvement in productivity and low-income elasticity of demand force the terms of trade against the sector (Lipton 1982). Further, compared to rich and big farmers, petty producers are exploited by the monopsonist traders through usury and price rigging. Faced with double jeopardy of weather and market risks, those are largely uninsured, petty producer as a residual risk taker gets crushed, with diminishing prospects in the long run. However, the actual exit of petty producers need not be this simple. As noted by Kautsky in the German context, they actually display tremendous resilience in the face of worsening conditions of production (Kautsky 1988, 132). In his classic piece *The Agrarian Question*, he argued that petty producers tend to survive through overexploitation of family labour and self-starvation, even as they eventually get weakened and leave agriculture. Nation-states under populist democracies in the 20th century are sometimes compelled to offer protection against predatory market forces.

The class character of PCP tends to be ambiguous. Although they are subsumed under capitalist development, in reality they are disguised labour. They subsidize the production through unpaid family labour (Harriss-White 2012). This class stays in simple reproduction without being able to enter expanded reproduction. Even though PCP own and control the means of production, the market value of their production tends to be less than the value of the family labour, resulting in self-exploitation. However, the independence of PCP is considerably undermined by the conditions of interlocked contracts, as they are denied access to formal credit markets and face higher costs of production. Decline of kinship relations under growing consumption culture weakens the survival mechanism (Harriss-White 2012). PCP will eventually fall into crisis of reproduction under capitalist development.

Recent literature on agrarian studies has made significant additions to scholarship on agrarian question. Byres (1986), Bernstein (1996, 2010), Akram-Lodhi and Kay (2010a, 2010b) and others have persuasively argued that the whole question of agrarian transition needs to be located in the larger process of global capitalism. Bernstein noted three phases in growth of global food regimes. The first phase, during the pre-World War II (WWII) food regime, saw the decline of European agriculture, outsourcing of grain production by metropolis to North America, Australia, Africa and Asia. The second phase was marked by the recovery from the Great Depression, decolonization, and efforts to build capitalism in the post-colonial countries, with technological support from the new imperialist countries and regulatory protection to agriculture. Petty commodity production in the Third World received some encouragement for some time that enabled it to survive the differentiation. Finally, the new globalization and neoliberal capitalism phase where the Third-World agricultural production is reintegrated into the global supply chains, pushing petty commodity production back into the vortex of fleecing market forces. The last phase of neoliberal globalization with unprecedented levels of global integration of markets has led scholars like Hobsbawm (1994) to declare "death of peasantry" and Bernstein (2001) into decoupling the "peasant question" from capitalism (Akram-Lodhi and Kay 2010b). Petty commodity production may be destroyed at some places, but can surface given the uneven capitalist transformation taking place globally (Bernstein 2010).

2. Petty Commodity Production and Capitalist Development in India

India's path of capitalist development has six distinct aspects. First, India took to liberal political democracy, even before the completion of bourgeois revolution over the feudal classes and development of substantial capitalism as in Western capitalist countries (Chatterjee 2008). While fostering capitalist development, the Indian State protected the interests of feudal classes by not pursuing full-scale land reforms, yet also prevented the development of "junker" model of agrarian capitalism. It extended patronage to small peasantry along with the middle, in order to secure marketed surplus for the urban. Petty commodity production survived in India in spite of pauperization that capitalism imposes. Second, the agrarian capitalism was not used as the main plank in building industrial capital in India; the development of the latter was spearheaded by the State through forcible mobilization of small savings (Sanyal 2007). The third aspect is concerned with the state of technological conditions of development. As a late entrant into industrial development that took place under highly capital intensive conditions, there is no way the surplus labour in agriculture would ever be absorbed in the modern sector, nor does it have the option of large-scale international migration for such labour. Therefore, the majority of workforce gets locked in the space of petty commodity production. Fourth, large-scale primitive accumulation is pre-empted by liberal democratic regimes with strong human rights discourses. Finally, the fifth aspect is that the poverty of masses, in particular that of petty producers is caused by the capitalist expropriation of surplus; unlike the developmental state, neoliberal state refuses to intervene in the market to address their distress, nevertheless is forced to indulge in welfare populism to manage political dissent. The fractured nature of bourgeois politics in India's liberal democracy within its rich diversity seems to provide incremental space for the masses. Thus, any political economy understanding of the agrarian crisis of petty commodity production should posit it in the larger capitalist transition under liberal political space.

Sanyal (2007) argued that the base-determining-superstructure model that dominated the Marxist understanding left little scope to understand the changes in the politics of society that lay in the superstructure which affects the base. Gramsci (1971) preferred to use "state-civil society" dichotomy which enables one to focus on the politics of the hegemonic state, while the superstructure is still not independent of the base. Stating the Italian context, Gramsci pointed out that the bourgeoisie, which is too weak to overthrow feudal structures, entered into an alliance with the latter, and together develop hegemonic leadership over the masses in the liberal democracies. The bourgeoisie progressively weakens the power of the feudal classes through what he calls "passive revolution." Gramsci's characterization suits most of the countries where bourgeois revolutions have failed to take place. Chatterjee (2004), while accepting Gramsci's state-civil society model as a highly useful model to analyse politics, provides a caveat to it for understanding post-colonial societies. Here, civil society constitutes a minute share of population; a huge section of population owning no property lie outside the civil society, which he chose to call the "political society." Political society is one which does not have the rights of citizenship, but has a right to franchise. Squatters, street vendors, urban slum dwellers, landless poor, *dalits* who may till assigned lands etc. constitute this political society (Chatterjee 2004). Their means to survival do not often have legal entitlements, but the state would patronize them by protecting their otherwise illegal existence. Managing the political society, for him, is the key to understand politics of the Third-World developmental state like India. The competitive electoral politics gives some scope for the political society to negotiate incremental benefits. Chatterjee further argues that the state, as in the West, uses various governmental technologies that engage the populations, produced by statistics in various programmes termed as "development." This is further helped by international capital through funding various non-governmental organizations (NGOs) who supplement the governmentality.[1] By extending Chatterjee's logic, it is plausible to argue that with the exit of upper-caste landed sections[2] from agriculture who were the last agrarian section that could influence state policy, the newly arriving small and marginal farmers from lower castes belong to the political society who are in no position to stake claims on development, instead have to be content with the welfare benefits in terms of public distribution of food grains, employment guarantee scheme, student scholarships, rural pensions, housing loans, etc.

In light of the above discussion of petty commodity production, we shall examine the empirical aspects of its reproduction from the study of three villages in rural Andhra Pradesh in the following section.

3. Growth of Small Peasantry and Agrarian Crisis in Andhra Pradesh

The state of Andhra Pradesh shares several features with the rest of India. The share of agriculture to State Domestic Product is about 22%, while 48% of workers depended on the sector in 2011. About 18% of these are cultivators, and 36% are agricultural labourers. Agricultural labourers are those who reported wage labour as their principal occupation, which means several of them could be PCPs. As far as cultivators are concerned, a significant change has occurred in the structure of operational landholdings over the last 60 years. The share of small and marginal farmers steadily grew from 56% to 84%, and the share of the land under them has increased from 18% to 49%. The share of medium farmers went down from 35% to 16%, and the share of their landholding declined from 54% to 45%. The share of big farmers has shrunk to less than 1% with landholding of around 6% (see Table 1). The presence of the landlord in village agriculture has declined. Mutation of landed property has caused big holdings to divide into medium holdings. Further, there is growing tenancy, as a section of medium farmers who played a crucial role during the green revolution has left agriculture by leasing out their lands (Parthasarathy 2002). Indian agriculture grew over 3.4% during 2002–12, and in Andhra Pradesh, where the present study was undertaken, it grew at 3.08%, which is a higher rate compared with the long-term growth of 2.7%.

On the other hand, farmers' suicides have become a regular feature in India, spread to most places where commercialization is complete (see Figure 1). Most of the farmers who committed suicide are PCPs who venture to lease out more land on commercial basis (Galab, Revathi, and Reddy 2009). While many of the deaths happened among cotton-growing farmers (whose production has increased at an impressive rate of 5.5% during the last two decades), farmers who grow other crops too fall prey. The general crisis of viability is spread across several crops (Ramanamurthy and Chandra 2015).[3] Much of the early literature on this crisis focused on the ill effects of neoliberal policies on agrarian sector such as decline of the share of institutional credit, increase in input costs, decline in public investment, import competition and deflationary macroeconomic policies (Reddy and Mishra 2009; Deshpande 2009; U. Patnaik 2007). This article looks to the class angle of this agrarian crisis, which has remained unexplored.

4. Production Conditions: The Three Villages Study

The official database at household level on agriculture suffers from limitations of antiquity and coverage, overcoming which requires primary studies to be undertaken. This article presents data from a three-village-sample study in the state of Andhra Pradesh in India, namely Achampet, Pulimaddi and Kaluvapamula. The villages are selected randomly from the three regions of the state, namely Telangana, Rayalaseema and Coastal Andhra.[4] From these three villages, a total of 478 farm households were selected through random sampling to obtain quantitative data using structured questionnaire and qualitative data from focus group discussions, and ethnographic interviews collected in the summer of 2013. The sample

Table 1 Class-Wise Relative Shares of Operational Holdings in Andhra Pradesh

Farmer type	*1956–57*		*1980–81*		*2005–06*	
	Holding	*Area*	*Holding*	*Area*	*Holding*	*Area*
Marginal	38	8	51	13	62	23
Small	18	10	22	17	22	26
Medium	33	44	25	50	16	45
Large	9	38	2	20	<1	6

Source: Various National Sample Survey (NSS) rounds.

Notes: As per NSS classification, marginal farm households operate less than 1 ha; small operate 1–2 ha; medium operate 2–8 ha; and large operate >8 ha.

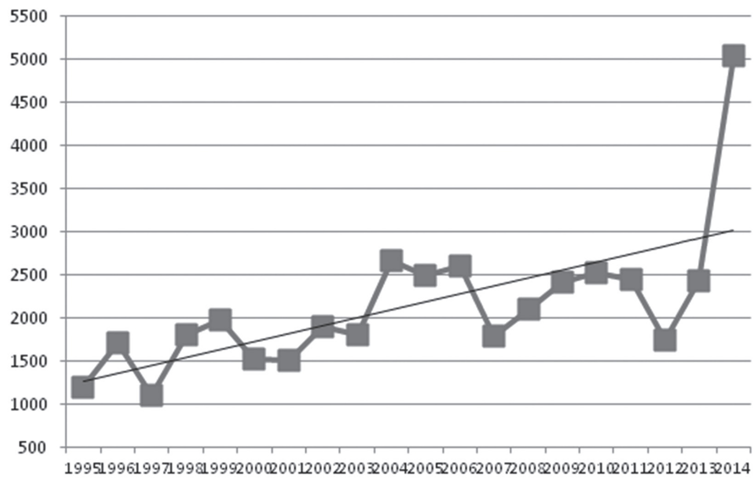

Figure 1 Farmers' Suicides in Andhra Pradesh
Source: National Crime Records.

households covered 37% of population in the village. Information on farm size, crops grown, costs and returns, employment, allied activities, non-agricultural employment and income, credit, welfare transfers is compiled and analysed. The three villages are not very similar, have three different sources of irrigation, namely the borewells, rainfall and canal irrigation, respectively. The cropping pattern too differs in accordance with irrigation source. In spite of these differences, we focus on those aspects which can be useful for a limited generalization. The study notes the rise of new class of PCPs in all the three villages in the past one decade from landless proletarian class, who acquired access to small parcels of land by ownership or tenancy. Large farmers once dominant have slowly diversified into urban areas. Medium farmers too divested a good portion of their lands for purposes of education and diversification for their progeny, either through selling their lands to the landless or through leasing them. Property mutation too led to the subdivision of holdings. These two processes have led to the proliferation of small peasantry. However, this small peasantry, not being able to survive with farm incomes, also participates in the non-farm sector as wage labourers.

5. Land Ownership

There is a visible decline of landlords as well as landlordism in the three villages. In Telangana and Rayalaseema villages, namely Achampet and Pulimaddi, which are largely unirrigated, the traditional dominant landlord castes have sold off considerable portion of their land in the last three decades which has been purchased by lower (dalits and backward) caste farmers. Thus, landed households now constitute 91% and 69% in two villages, and 31% in one village (see Table 2). This is also due to the fact that in Achampet, government distributed uncultivable waste land of 2 acres per households; in the latter, some dalit and backward caste poor households have managed to buy small patches of land during the 1980s and 1990s. In the third village, Kaluvapamula, which is in the coastal heartland Krishna district, landed households constitute only 31% and landless 69%, as traditional landlords have retained most of their land which they leased (because agricultural land is very expensive in this village compared to the other two). No land distribution or re-distribution had ever occurred in this village.

Our sample, seen in terms of class distribution, has about 74% of marginal, small and semi-medium farmers, who constitute the PCPs in agriculture, which we shall establish in the next section, characterized by not only the smallness of their landholding but also their predominant dependence on family labour for cultivation and simultaneously hiring out as wage labour within agricultural sector and outside. The PCP class constitutes 70%–80% in each of the villages in the form of owner-cultivators, owner-cultivator-tenants and landless tenants. In Achampet and Pulimaddi, a majority of farmers are owner-cultivators and owner-tenants, whereas in Kaluvapamula, a majority of farmers are landless tenants and owner-tenants. Agricultural machinery is owned by the rich peasantry but available on lease to everyone.

A majority of current land owners in all the three villages reported that they got the land through inheritance. Some marginal farmers received land during their previous generation. Roughly one-tenth of the land is inherited through dowry. Land ownership through distribution by government is noticeable only in one village to an extent of 3%–4%.

Table 2 Agrarian Structure in Sample Villages in Andhra Pradesh

	Achampet	*Pulimaddi*	*Kaluvapamula*	*Total*
Land ownership (%)				
Landed households	91	69	31	74
Landless households	9	31	69	26
Size classification (%)				
Marginal	58.9	17.9	45.3	42.6
Small	28.8	23.6	12.8	23.1
Semi-medium	10.3	27.4	20.9	18.3
Medium	2.1	25.5	18.6	13.6
Large	0.0	5.7	2.3	2.4
	100	100	100	100

Source: Field study.

Table 3 Type of Cultivators in the Sample Villages (in US$)

	Achampet	*Pulimaddi*	*Kaluvapamula*
Owner cultivators	65.0	33.8	13.2
Landless tenants	4.5	7.1	45.5
Owner tenants	13.0	27.9	12.4
Non-cultivating land owner	13.0	7.8	5.0
Landless	4.5	23.4	24.0
Total	100	100	100

Source: Field study.

6. Peasant Differentiation

Size of landholding has largely been used as a criterion to categorize farm households. In developing countries, small farmers are often wage labourers as well. It is important therefore to demarcate between small petty producers and capitalist farmers. As Lenin (1964) rightly cautioned, land size holding should not be taken as the sole criterion. It is often inadequate because it could differ in terms of productivity and value, thereby frustrating class analysis. To improve the status of the size classes which we have employed, we therefore employ "labour exploitation ratio criterion" suggested by Utsa Patnaik (1987) as an additional criterion to redraw the size classes into agrarian classes. Utsa Patnaik (1987) defines *Labour Exploitation Criterion* as a ratio of residual of [(Labour Hired-in minus Labour Hired-Out) / Family Labour].[5] The sign and magnitude of the ratio convey the essential character of the nature of the farmer: whether the peasant is self-exploiting or exploited by others; or he/she is an exploiter of other's labour for surplus value. The following Table 4 presents the labour exploitation ratios of size classes, which are estimated from household average employment on own farm, hired-in and hired-out labour (see Table 5). Interestingly the sign of the labour exploitation criterion is uniformly negative among all the size classes of petty commodity producers which convey that they are "net exploited" rather than "net exploiters". On the contrary, the medium and large farmers (who own more than 10 acres) all have a positive sign of the criterion. This is consistent across all the three villages. Therefore, we suggest that all those size class farmers owning less than 10 acres tend to be PCPs who either use their own family labour or hire out as wage labourers for family subsistence. Medium and large farmers, on the contrary, are clearly the capitalist farmers. Therefore, our use of land size can be reconciled with class analysis by categorizing the small, semi-medium farmers as PCPs, and medium and large farmers as capitalist farmers. Within capitalist-class farmers, we do see a lot of polarization for the reasons we have explained. We shall further enquire into other aspects such as income that further bolsters class differentiation identified by the labour exploitation criterion.

7. Farm Costs and Returns

At the heart of petty producer crisis lies the poor return on capital due to higher costs and lesser productivity. Here, we present evidence of poor returns in 9 out of 10 principal crops grown in the sample villages, namely paddy, cotton, maize, groundnut, chickpea, sorghum, sunflower, tobacco, black gram and sugarcane, where market prices barely cover paid-out costs. We observed that for paddy,

Table 4 Peasant Differentiation by Labour Exploitation Criterion

Size classes	*Agrarian classes*	*Achampet*		*Kaluvapamula*		*Pulimaddi*	
		M	*F*	*M*	*F*	*M*	*F*
Landless	Proletariat	–∞	–∞	–∞	–∞	–∞	–∞
Marginal/poorest	Petty commodity producers	–3.56	–3.16	–4.23	–4.22	–3.00	–2.41
Small/poor		–3.26	–3.05	–1.07	–2.00	–3.55	–3.03
Semi-medium		–1.50	–0.75	–2.23	–1.22	–5.45	–1.34
Medium/middle	Capitalist farmers	3.5	4.55	6.15	3.42	2.41	8.3
Large/rich				15.5	9.2	8.26	12.8

Source: Estimate using data from the field study.

Notes: Ratio is calculated taking labour days, labour exploitation criterion defined as (hired-in labour–hired-out labour) / family labour; see U. Patnaik (1987).

Table 5 Employment Profile of Households (in Days per Annum)

	Marginal		*Small*		*Semi-medium*		*Medium*		*Large*	
	M	*F*	*M*	*F*	*M*	*F*	*M*	*F*	*M*	*F*
Family labour										
Achampet	16	24	14	20	12	20	4	9	a	A
Kaluvapamula	17	53	12	44	13	44	13	28	8	10
Pulimaddi	24	36	22	32	5	32	17	13	15	11
Hire out labour										
Achampet	66	104	59	91	34	52	11	15	a	A
Kaluvapamula	110	130	106	133	85	120	13	21	0	0
Pulimaddi	78	106	85	115	35	68	14	26	0	0
Hire in labour										
Achampet	9	28	13	30	16	37	25	56	A	A
Kaluvapamula	38	38	49	45	56	67	93	117	124	92
Pulimaddi	6	24	26	38	38	45	55	135	124	132

Source: Field study.

which is the principal food crop, the prices barely covered paid-out cost and did not cover rental cost. Similarly, for cotton, maize, sunflower, tobacco, winter paddy, jowar the returns over paid-out cost are too meagre, and the returns over cost inclusive of rental are negative in most cases. Except for large farmers in the irrigation-endowed regions who still cultivate on their own, the income from farming of most crops is either too meagre to sustain the farmers' consumption or negative (Table 6).

Further, size-productivity relation in most parts of India turned positive ever since technological advances arrived in agriculture. This eroded productivity advantages of small peasantry. The small peasantry is not too far behind adopting mechanization and improved inputs. However the yield differences which are positive along size classes and cost differences which are negative along size classes thus makes returns to be positively associated with size classes. Even though there are exceptions, this is true in most crops (Ramanamurthy and Chandra 2015).

Table 6 Farm Costs and Returns in Andhra Pradesh in 2012–13 (US$)

Village/crop	*Price ($/Qt)*	*Yield (Qt/acre)*		*Cost of production ($/Qt)*			*Return ($/Qt)*		
		Petty producer	*Cap farmer*	*Petty producer*	*Tenant*	*Capitalist farmer*	*Petty producer*	*Tenant*	*Capitalist farmer*
Achampet									
Paddy kharif	16.97	19.4	21.5	13.1	19.2	10.2	3.8	–2.2	6.7
Paddy rabi	17.08	17.8	18.6	16.9	23.5	14.3	0.2	–6.4	3.12
Maize	19.82	14.3	16	13.4	21.6	11.5	6.4	–1.7	7.32
Pulimaddi									
Bengal gram	58.95	6	8	39.0	58.9	38	20.0	0.01	28.95
Cotton	62.95	4.7	8	55.3	80.6	51	7.7	–17.6	11.9
Groundnut	57.10	7.1	8.6	34.6	51.4	46	22.5	5.8	35.5
Jowar	22.07	15.8	16.2	11.3	18.8	9.2	10.8	3.3	12.1
Paddy kharif	26.67	20.6	27.2	13.6	19.4	11.2	13.1	7.3	13.5
Sunflower	54.40	5.6	—	48.1	69.4	—	6.3	–15.0	—
Tobacco	90.42	7	—	62.8	79.8	—	27.6	10.6	—
Kaluvapamula									
Paddy kharif	18.02	24.5	26.3	14.0	18.2	11.6	4.0	–0.2	14.6
Paddy rabi	15.43	26	29	14.3	18.3	11.9	1.1	–2.8	3.4
Sugarcane	35.95	42.7	34	23.8	31.9	22.5	12.2	4.1	23.7
Black gram	9.37	4	6	29.6	29.6	24	29.8	29.8	29.4

Source: Field study.

8. Net Incomes

When we present the incomes of farm households, the peasant differentiation argued earlier gets further established. There is a clear divergence between the two broad classes of farmers, that is, PCPs constituting marginal, small and semi-medium households on one hand, and capitalist farmers constituting medium- and large-size farmers on the other in terms of incomes of the households. The average annual farm incomes of marginal, small and semi-medium farmers are US$497, US$444 and US$826, respectively, and for medium and large farmers, it is US$2,035 and US$4,445, respectively (see Table 7). Marginal, small, semi-medium and medium households draw 33%, 13%, 35% and 22% of income from agriculture and allied activities, while large farmers too draw 35% of their income from it. However, among the former, landless, marginal and small, deriving major portion of their incomes from non-farm activities, draw this more from wage labour, whereas medium farm households are able to diversify into regular employment, trading and self-employment. Thus, while petty producers in agriculture hang on to agriculture, it is not their principal source of their income, including for the landless. This demonstrates that there has been considerable growth in non-farm activities within and outside the village in which the PCPs along with the proletarian class are participating, suggesting a definite process of "semi-proletarianisation."

Within the farm income of marginal, small and semi-medium farmers, we found that 30%–40% income is earned through animal husbandry, and together with wage income it forms about 70% of total farm income. Agricultural wage income constitutes about 30%–40% (see Table 7). For the petty producer class of

Table 7 Average Household Net Income from Agricultural Activities (in US$)

	Farm	*Animal husbandry*	*Rental*	*Wage*	*Total*
Landless	0	78	0	238	316
Marginal	122	181	0	194	497
Small	203	106	0	134	444
Semi-medium	419	150	15	243	826
Medium	1,656	225	0	15	2,035
Large	4,430	7	0	0	4,443
In %					
Landless	0	25	0	75	100
Marginal	25	36	0	39	100
Small	46	24	0	30	100
Semi-medium	49	17	2	29	100
Medium	81	11	0	3	100
Large	99.7	0.2	0	0.1	100

Source: Field study.

tenants (not shown in the table), farm income is negative, rendering wage labour and subsidiary activities as major sources of livelihood.

When non-farm income is considered, it constituted US$1,022, US$3,077 and US$1,537 for the three size classes of petty producers, respectively; and US$7,058 and US$10,163 for the two size classes of capitalist farmers. Clearly, the non-farm income drives a further wedge between the two classes. We observed that there is a marked decline of traditional village non-farm activities.[6] The new business activities are owned by those who can invest the capital—mostly belonging to upper castes and to some extent backward caste. Dalits, the socially most backward segment of the society, are yet to get access into this sphere. The reason that the bottom class of dalits prefers to become peasants is their desire to become independent of upper-caste landlords, support themselves through animal husbandry and wage labour in the non-farm sector. Trading, regular employment, profitable self-employment activities and long-term migration have been monopolized by the landed and upper-caste households, enabling them to become capitalist landlords.

The average annual net non-farm income of marginal, small and semi-medium households in the sample villages is US$1,012, US$1,743 and US$1,537, respectively (see Table 9). For medium and large households, it is

Table 8 Net Income from Non-agricultural Activities (in US$)

	Trade	*Casual*	*Regular*	*Self-employment*	*Others*[a]	*Total*
Landless	88	132	274	218	335	1,048
Marginal	316	33	98	320	246	1,012
Small	798	37	148	241	853	1,743
Semi-medium	400	65	727	192	153	1,537
Medium	3,893	2	2,260	110	792	7,057
Large	9,303	0	4,436	867	0	14,606
Non-cultivating landed households	250	108	1,236	30	845	2,468
In %						
Landless	8	13	26	21	32	100
Marginal	31	3	10	32	24	100
Small	37	1	5	8	49	100
Semi-medium	26	4	47	13	10	100
Medium	55	0	32	2	11	100
Large	63	0	30	6	0	100
Non-cultivating landed households	10	4	50	1	35	100

Source: Field study.

[a]Others include income through traditional activities, migration.

Table 9 Average Net Rural Incomes (in US$)

	Agriculture and allied	*Non-agriculture*	*Total*
Landless	316 (23)	1,048 (77)	1,363 (100)
Marginal	497 (33)	1,012 (67)	1,509 (100)
Small	444 (13)	3,077 (87)	3,520 (100)
Semi-medium	826 (35)	1,537 (65)	2,363 (100)
Medium	2,035 (22)	7,058 (78)	9,093 (100)
Large	4,443 (30)	10,163 (70)	14,606 (100)
Non-cultivating landed households	574 (19)	2,468 (81)	3,041 (100)

Source: Field study.

US$7,058 and US$14,606, respectively. This once again reinforces the class differentiation between the two classes of farmers. The non-farm income constitutes 65% of the PCP's total income. However, when it comes to capitalist class, there are reportage problems in their non-farm earnings, which are much higher than what they were willing to report. Overall, we see that there is a huge increase in non-farm income sources and decline of farm incomes for petty producers. Even in farm income, it is the allied activities that fetch them more money than farming where much of the surplus is squeezed out by moneylenders, traders, landlords, input suppliers, etc. The two starkly different patterns of diversification into non-farm income can be observed between PCP class and capitalist farmer class. The latter have a larger share in trade and regular employment, while the larger share of lower classes comes from casual labour and self-employment. Thus, petty producer class has more wage income diversification which is a little more unstable, while the capitalist farmer class has more secure non-farm diversification. This further seems to be driving the class differentiation deeper.

The average annual total income from farm and non-farm activities for marginal, small and semi-medium farm households is US$1,509, US$3,520 and US$1,537, respectively. The medium and large farm households earn an income of US$9,093 and US$14,606, respectively. The non-cultivating households, who own small parcels of land but live on other occupations, earn about US$3,041. The share of farm earnings in the total is not more than 35%. The landless labour in the villages derives merely 23% from agricultural wage labour in the study villages. These facts reflect a substantial occupational transformation from agriculture to non-agriculture. However, dependence on agriculture acts more like an insurance to the labour households. Eighty percent of farm households, mostly belonging to PCPs, live below US$2 a day.

9. Indebtedness

From the 1970s, the Indian State in order to overcome food inflation undertook several important measures to encourage production, which included expansion of rural public sector banking and earmarking credit to farmers, popularly referred to as institutional credit provided at a concessional interest rate of 4%. In contrast, the private moneylenders charge exorbitant rates of 36%–60%. The share of institutional credit thereby improved from 31% to 74% during 1970–91 but has fallen back to 36% during the neoliberal period (Shetty 2008, 112–33). Distribution of this credit continued to be highly iniquitous with disproportionately high share going to big farmers. In the recent years, government claimed to increase the agricultural credit; however, there has been no improvement in the distribution. As a result, small peasantry is forced to depend on private moneylenders who expropriate the surplus that may arise from the cost-saving family labour. Although there is some penetration of micro-credit to all poor households, it mostly goes to meet consumption purposes.

The total institutional credit in the three villages now stands at 68.6%, while the non-institutional credit is around 37.4%. But as said earlier, it spread very unequally. For instance, in Achampet marginal and small farmers who constituted 86% of total farmers got only 37% share in the total bank credit, 27% of medium and large farmers obtained 63.7% of bank credit. Some of the landed households are absentee landlords, who obtain loans and relend it to tenant farmers. As a result, small peasantry is forced to depend predominantly on private usurious credit markets. The average poor peasant household's indebtedness ranged between US$1,600 and US$3,000. This level of indebtedness, where the loans are taken at 36%–60% rate of interest, for the kind of income structure, can easily push such borrowers into debt trap for reasons such as successive crop failures. In the name of financial inclusive growth, Indian State began expanding rural credit through the micro-credit programmes for women. Micro-credits, which form 40% to 50% of the total institutional loan given to poor households, are offered at an annual interest rate of 24% (see Table 10).

10. Consumption, Savings and Wealth Distribution among Rural Households

As we have estimated the incomes of farm households from agricultural and non-agricultural sources, we shall compare these with consumption, indebtedness and their savings. Consumption and debt figures are taken from the field data.[7] From Table 11, one can see that for size classes among PCPs the saving, that is, income after meeting consumption and repayment of debts, is negative; while for the medium and large households it is positive.

Table 10 Average Rural Household Indebtedness

	Achampet			*Kaluvapamula*			*Pulimaddi*		
	Intuitional debt	*Informal debt*	*Total debt*	*Intuitional debt*	*Informal debt*	*Total debt*	*Intuitional debt*	*Informal debt*	*Total debt*
Landless	273	639	912	147	136	283	250	187	437
Marginal	375	750	1,125	350	647	997	195	320	515
Small	345	1,140	1,485	387	1,052	1,439	250	1,340	1,590
Semi-medium	1,543	650	2,193	1,877	522	2,399	1,249	789	2,038
Medium	2,543	595	3,138	2,543	455	2,998	1,879	679	2,558
Large				4,752	356	5,108	3,570	578	4,148
Total	5,109 (57.5)	3,774 (42.5)	8,883 (100)	10,056 (76.0)	3,168 (24.0)	13,224	7,393 (65.5)	3,893 (34.5)	11,282 (100)

Source: Field study.

Table 11 Income, Consumption and Savings of Rural Households

	Income	*Consumption*	*Debt*	*Saving*
Landless	1,363	1,065	537	–239
Marginal	1,509	1,097	832	–421
Small	2,528	1,215	1,872	–559
Semi-medium	2,363	1,247	2,173	–1,052
Medium	9,093	2,067	2,756	4,270
Large	14,606	3,021	4,628	6,957

Source: Field study.

Note: Figures pertain to household averages.

The question arises as to what explains the PCPs' tenacity to cling to the parcels of the land that yield negative returns. First, the static picture presented perhaps is not sufficient to conclude on the unviability of farms. Second, opportunities to migrate do not exist for all poor households. Third, migration costs could be prohibitively high, compelling some to continue with agriculture. Besides all such plausible factors, when we look at the wealth data, we understand that average net worth of assets of farm households is a significant factor in the decision to acquire/retain land[8] as it gives a capital gain on disposal. The average wealth of size classes, as shown in Table 12, is arrived at by taking farm land, house and other movable properties of households. The asset value of a petty producer is between US$9,576 and US$23,658. Thus, there is a significant variation among them too. The capitalist farm households have an asset value between US$40,632 and US$46,536. The common trend in all classes is that their asset values are disproportionately high compared to the returns on agriculture. In addition, the asset values of medium and large households are far greater, suggesting that the peasant differentiation in current times is strongly linked to the capital value. This could be due to the strong speculative trend that dominates the current Indian rural and urban land markets. In fact, the thriving informal credit markets often use the asset values as collaterals. The asset values also can induce higher consumption levels which erode the savings potential among these classes.

11. State and Social Welfare

The neoliberal period also witnessed an increase in welfare programmes which are assiduously used to contain the rural distress. Loan waivers to the farmers have become a regular feature before each Parliamentary election. There has also been proliferation of welfare schemes. In Andhra Pradesh, there are more than a dozen schemes that involve kind and cash transfers: Public Distribution System, Mahatma Gandhi Rural Employment Guarantee Act, old-age pensions, student scholarships, medical insurance (*Arogyashree*), free midday meal for school children, post-natal child nutrition programmes, accidental insurance, low interest farm loans, agricultural loan waiver, etc. They now form a major part of the electoral discourse through which the political parties take credit for introducing social security to the poor. We have collected data from households about the kind and cash transfers to arrive at the average annual welfare transfer. We found that almost all the poor (even the well-off) households are covered under these schemes which are implemented relatively well in Andhra Pradesh.[9]

The total average annual welfare transfer for the three villages is about US$321, which constitutes 24% of landless and marginal farmers and 15% of small farmers' annual income. As Table 13 indicates, in the average annual welfare transfer for the three villages, employment guarantee (employment created by a special government programme called Mahatma Gandhi National Rural Employment Guarantee Act) tops the list that confers an average annual wage income of US$106, followed by a public distribution system which gives US$78, and pensions provide US$56 to

Table 12 Distribution of Wealth among Size Classes (US$)

	Achampet	*Kaluvapamula*	*Pulimaddi*	*Average*
Landless	1,600	4,931	2,891	2,569
Marginal	7,944	8,614	10,065	9,576
Small	12,502	15,472	19,709	17,365
Semi-medium	22,810	27,533	20,573	23,658
Medium	26,355	41,821	46,641	40,632
Large	—	757,269	133,454	46,536

Source: Field study.

Table 13 Average Welfare Transfers to Household per Annum in Three Villages (in US$)

Welfare schemes	*Achampet*	*Pulimaddi*	*Kaluvapamula*	*Average*
Public distribution system	78	81	73	78
Rural pensions	44	72	51	56
Infant nutrition	10	15	12	13
School midday meals	43	45	36	41
Student scholarships	27	31	27	28
Employment guarantee	96	166	55	106
Total	297	411	255	321

Source: Field study.

household. Midday meal and scholarship rank next to these. Thus, welfare transfer constitutes an important share of PCPs' subsistence reproduction.

12. Concluding Remarks

PCPs in Indian agriculture are undergoing a severe viability crisis. There are two dimensions to this crisis. First, there are factors external to the sector that squeeze them from outside such as worsening terms of trade, reduced bank credit and institutional support. Given the additional risk of weather, farmers cannot conduct farming without safeguards. Such safeguards in Indian agriculture, built with active state intervention, have been removed by the neoliberal state, and farming is left to fend for itself against unfettered market forces. PCPs at the bottom have become the primary victims of predatory market forces where those taking uncalculated risk end up taking their lives. There is a growing differentiation among peasantry where medium and large farmers are able to emerge as capitalist farmers; but small farmers below 10 acres remain as PCPs battling to hold on to uneconomical parcels of land yielding insufficient incomes. While diversification from agriculture is natural for all classes under modern non-agriculture-led economic development, the prospects for the capitalist farm households and PCPs vary. The former diversify into more secure options such as trade and regular employment, whereas petty commodity farm households diversify into wage labour and self-employed activities, which further reinforce the differentiation.

The petty commodity enterprise has lost its sheen, facing an economically beleaguered life. The fact that 300,000 farmers committed suicide after falling into debt trap reflects the gravity of the crisis. It is not out of place to remind what Marx wrote about how usury played a significant role in divorcing petty producer from the means of production in Europe in the 18th century in *Capital* III (Marx 1986b, 580–89), a similar definitive process seems to be underway in Indian agriculture.

Neoliberal state refuses to intervene into markets to mitigate this misery. However, liberal democracy compels State to address abject conditions of poverty such as indebtedness, poverty, hunger, suicides, child labour, and disease, which constitutes the core of politics in countries like India. Along with the proletarian class, petty producer class receives some welfare. There is no complete ruination of petty producer class, in spite of constant pauperization. Land as a store of value and other social reasons make them desperately hold on to small parcels of land. But their life largely depends on the wage labour in the non-farm sector, indicating arising of a working class.

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Notes

1. Governmentality is a Foucaultian term which refers to a process of dividing populations into groups which are amenable for statistical measurement, using Census and other methods, and fixing governmental programmes to the targeted groups, thereby gaining biopower over the groups, the participation of members in the programme gives the state a positive power over the population besides the sovereign power it already has. This power over groups is a discursive power which keeps them fractured.
2. Indian society is socially divided into multitudes of castes, traditionally defined by occupation, is often categorized into three, that is, upper, backward and scheduled castes and tribes. There is a fair overlapping of class and caste in terms of income, wealth and skills that define the hierarchy (see Omvedt 1982, 5–45).
3. The state of Andhra Pradesh stands second among Indian states in terms of farmers' suicides; over 250,000 farmers having committed suicide between 1995 and 2011, besides other states such as Maharashtra, Karnataka, Uttar Pradesh, Punjab, Haryana and Kerala. Most of the victims everywhere belong to small and marginal farmers, and many belong to backward class and scheduled caste (Sainath 2012). Several scholars who have analysed the farmers' suicides contend that these suicides are the legacy of the economic reforms.
4. The state of Andhra Pradesh was divided into two states, namely Telangana and (residual) Andhra Pradesh, in 2014. We refer to the combined state in the study as the study is done during the previous period.
5. See Utsa Patnaik (1987, 53) on E-criterion $E = (H_i - H_o) / F$, where H_i is the labour hired in, H_o is the labour hired out and F is the family labour, labour taken in man-days.
6. Activities such as pot-making, ironsmiths, carpentry, washermen and weaving are mostly non-existent. There is a rise of new non-farm sectors such as finance, commission agents, pesticide/seed dealers, trading, hotel, petty shops, grocers, vegetable vending, cloth merchants, eatable vending, transport, driving, photographers, motor mechanics, television mechanics, phone recharging, electricians, winding works, plumbers, masons, television cable operators, drinking water suppliers, photocopying, stationary shops, private school teachers, bus/truck/van/auto/harvester/proclainer/

tractor drivers, Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) mate workers, technical assistants, micro-credit organizers, nurses, paramedics, child crèche workers, midday meal workers, tailors, liquor shop, medical shops, etc. which are the new job activities thriving in the village.
7. Consumption expenditure basically for subsistence, which includes expenditure on food, clothing, transport, education, health and miscellaneous, does not include expenses for marriage, or deaths. This omission is actually serious as they remain major sources of incurring debts besides production loans.
8. In India, land is the speculative asset where most of the black money is invested, apart from gold.
9. Welfare schemes are better implemented in southern states than in the northern states in India for various reasons.

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