# The Limits to Agriculture Development under Decentralised Governance in a Globalised Market
## A Case of Kerala

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*Abstract*

*Recent debate on development thinking and practice have emphasised more on local level social development over the holistic general economic development of the national economy. The shift in development paradigm has received its ideological input from two major strands of thought, viz., neo-liberalism and post-Marxism. These two strands of thoughts share the view that the concept of interventionist state virtually place barriers to development and in its place local actors and institutions of the civil society can ensure social and economic development. The decentralisation drive attempted in India in the early 1990s, to a great extent, is rooted to the neo-liberal and post-Marxist ideological upheavals in the 1980s. In sharp contrast to it, decentralised planning process tried out in Kerala, following the 73rd and 74th Constitutional Amendment Acts, 1992 emphasised on the development thinking in the classical tradition of giving added vigour to the state's role in development practice. The decentralisation drive in Kerala placed the revival of the crisis afflicted regional economy, particularly its material production sector, as its major objective since the beginning of the 9th five year plan. The objective was sought to be achieved by devolving about 35% of the state plan fund to local bodies with a clearly spelt out guidelines for its utilisation. The Local Self Government Institutions (LSGIs) in Kerala tried out several mechanism to intervene in the production sector and the experiment at Vellanad Gram Panchayat in Thiruvananthapuram district was one of such successful attempts. It is argued in the paper that there exist well-defined limitations for local level development by LSGIs under a neo-liberal market regime. The restrictions are imposed by differences in productivity or efficiency level within the national and international markets on the one side and the incapability of the local government (Gram Panchayats) to offer a price significantly different from the one in the national market, which is again linked to the international market. It is found true for commodities like coconut oil. However, LSGIs' financial flexibility and the extent of intervention in the village market was found to be more successful for perishable products like vegetable and banana, which have very short shelf-life, production is more labour intensive and the markets are centred around a limited geographical area. The paper underlines that the intervention by local governments under decentralised planning could be successful in those commodities for which the market is not integrated with the international one. It is the limit imposed on local level development under decentralised planning process in a globalised market regime.*

## Introduction

After a series of attempts to decentralise power, functions and devolve fund to local bodies in India since independence, the decentralisation drive did succeed only with the 73rd and 74th Constitutional Amendment Acts in 1992. The state of Kerala stands unique among other states in India not only with respect to the scale and extent of devolution of powers and funds but the mode of implementing the very decentralisation process. Local Self Government Institutions (LSGIs) in the state, after the introduction of Kerala Panchayat Raj and Kerala Municipality Acts in 1994, have been placed as vital institutions in charge of rejuvenating particularly the stagnated material production sector in the state. This is in contradiction to the recent debate on development theory and practice, which have emphasised more on local level social development over the holistic general economic development of the national economy. The shift in development paradigm has received its ideological input from two major strands of thought, viz., neo-liberalism and post-Marxism. These two strands of thoughts share the view that the concept of interventionist state virtually place barriers to development and in its place local actors and institutions of the civil society can ensure social and economic development. The decentralisation drive attempted in India in the early 1990s, to a great extent, is rooted to neo-liberal and post-marxist ideological upheavals in the 1980s. In sharp contrast to it, decentralised planning process tried out in Kerala, following the 73rd and 74th Constitutional Amendment Acts, 1992 emphasised the development thinking in the classical tradition of giving added vigour to the state's role in development practice (Mohan and Kristian 2000). Further, the assigned role to LSGIs is at variance with the role historically perceived and performed by local bodies as service providers in India (Isaac and Franke 2000). The newly elected government, on its assumption to power in 1996, devolved 35% of the state plan fund to LSGIs for formulation of development plans ensuring total support and involvement of the local people residing within the area of the local body during the 9th five year plan.

The objective of the paper is to analyse the impact of the market intervening mechanism tried out in Velland Gram Panchayats (VGP) under decentralised planning on the farm sector. The study is based on a primary survey of farmer members of the organisation, who have been associating with it from its very inception in 2004. A total sample size of 30 member farmers of different types were selected out of a total 300 registered members of the organisation in 2010. The primary survey was conducted in March 2010.The study is divided into four sections. The section I discusses important features of decentralisation drive and plan fund devolution mechanism to local bodies, which enabled them to intervene in the production sector while the section II gives a brief outline of the socio-economic background of village economy. Formative phase and development of the market intervention mechanism - better known as Agriculture products Trading Centre (APTC) - are described in the section III and the section IV analyses its impact on the farm sector in the village economy and conclusions follow section V.

## I

### Characteristic Features of Decentralised Planning in Kerala

The material production sector of the state economy has stagnated for a long time since early 1980s, which in turn has considerably weakened the state's financial viability, posing serious challenge to its spending on the social sector or the very sustainability of the much acclaimed *Kerala model of development* (Kannan and Pushpangatan 1988). Although, cutting down the expenditure on social sector is unacceptable to any democratic government, especially in a left lenient state like Kerala, the political leadership could also not ignore the alarming sign raised from concerned quarters on the sustainability of a welfare economy-Kerala model of development-built on a fragile material production base. However, strengthening of the material production base in a regional economy like Kerala required huge public investment, which was much beyond the manoeuvrability of the state government by its all means. Against the setting that the then government took up the challenge of reviving the regional economy by attracting small savings and other resources available including manpower with peasants, farmers and other sections in the society, to be converted into productive investment in the material production sector. In the development drive, Gram Panchayats (GPs) have been placed as the pivotal point of stimuli as GPs work closer to the people as compared to other Panchayati Raj Institutions(PRIs). In order to translate the objective into an action plan several development models in agriculture and industrial production sectors were attempted in the state by local bodies since the commencement of the 9$^{th}$ five year plan in 1996-97. However, only a few of them could outlive challenges and sustain. Agricultural Products Trading Centre (APTC) at Vellanad Gram Panchayat is one of those rare development models experimented during the 10th five year plan period, which could withstand challenges and eventually emerged as a viable model of agriculture development and is being replicated in many other GPs in Kerala.

As the new generation of LSGIs came into existence in 1995, Kerala has embarked on an ambitious programme of supplying the much needed stimuli to the growth momentum of the state economy through the LSGIs (Isaac and Harilal 1997). The stimuli was sought to be rendered by devolving about 35% of the state plan fund to supplement the locally mobilised resources to be channelised into the productive sector of the village economy, which is unprecedented in the history of decentralisation in India. Bearing the objective in mind, the newly elected Left Democratic Front (LDF) government in 1996 organised a massive campaign drive to make people aware of the importance of new avenues opened up before them to set their long term development goal in the village as well as mobilising resources for local development. The campaign programme was named 'Peoples' Plan Campaign' commenced in the eve of the 9$^{th}$ five year plan and the State Planning Board was reconstituted and entrusted the task of the Peoples' Plan (Isaac and Franke 2000). Alongside, sharply focused and meticulously worked out framework ensuring involvement of every stake holder at the local level, has also been put in place to enable the decentralised planning process. Moreover, norms for the devolution of plan fund to LSGIs have also been worked out and supplemented with a clearly elucidated guidelines for its utilisation and sectoral allocation (Mohanakumar 2002; 2003). The norms set out for sectoral allocation- 40% of the devolved plan fund (minimum) for productive sector and a maximum of 30% for infrastructure development- (mainly roads) indicated the importance attached to the productive sector in Panchayati Raj Institutions (PRIs).[2] Further, for every year, budgetary allocation for each LSGIs is announced in the State Legislative Assembly as part of the budget presentation. Table 1 explains the norms followed for the devolution of state plan fund for different LSGIs in Kerala during the 11$^{th}$ Plan period. Panchayti Raj Institutions get 15% to 25% of the deveped plan fund based on composite index related to agriculture and allied sectors.

Table 1. Norms for the Devolution of Plan Fund for LSGIs in Kerala (% share)

| Indicator | Gram Panchayat | Block Panchayat | District Panchayat | Municipality/ Corporation |
|---|---|---|---|---|
| Population (excluding scheduled caste and scheduled tribe population) | 60 | 60 | 50 | 70 |
| Tribal population | 5 | 5 | 5 | 5 |
| Geographical area (excluding forest area) | 5 | 10 | 15 | 5 |
| Area under paddy | 5 | NA | NA | NA |
| Own income of GP | 10 | NA | NA | NA |
| Composite index of agriculture labourers, people engaged in livestock, fisheries etc and marginal workers | 15 | 25 | 20 | NA |
| Composite index of backwardness : | | | | |
| Houses without latrine & houses without electricity etc | NA | NA | 10 | 20 |

*Note :* NA- Not Applicable.
*Source* : Government of Kerala (2009).

A brief discussion on the modalities of plan formulation is in order to understand the way in which the development needs of the VGP were translated into a concrete action plan, which could finally be constructed into a sustainable development model for the farm sector. The framework designed for plan formulation was based on the identified development needs of the village expressed in Gram Sabha meetings. Unlike other states in India, voters in each constituency of a GP formed its Gram Sabha in Kerala and the number of constituency could vary between 12 and 22. The Gram Sabha is mandated to be convened four times a year by the elected representative of the constituency and the maximum duration allowed between two Gram Sabha convention is six months, failing which would cost the elected representative her/his membership in the GP. The Gram Sabha members move up their development needs in the first Gram Sabha meeting of the year while the elected representative would let the Gram Sabha members know the allotted and total plan fund for the GP for the year and in the subsequent meeting of the Gram Sabha, development needs are translated into projects and shall be submitted to the Gram Panchayat Committee. The decentralised planning process involves, therefore, multi stage deliberations, consultations and wetting before the development projects take the final shape at the GP. The project proposal approved by the GP is forwarded for technical and administrative sanctions to the District Planning Committee (DPC) and the implementation of the proposed projects are subjected to its approval.

## II

### Socio-economic Profile

Vellanad Gram Panchayat is situated in the central part of Thiruvananthapuram district of Kerala. The VGP lies 22 km East of the district head quarter with a population of 28894. The sex ratio of the GP is marginally on a lower side (1049 females per 1000 male population) in 2001 as compared to the state average (1058). The population of VGP is comprised of 6.79% *Dalits* and 3.33% *Adivasis*. The GP has 18 constituencies (Table. 2).

Table 2. Geographical and Demographic Characteristics Vellanad Gram Panchayat

| Particulars | Value |
|---|---|
| Area (in sq.km) | 22.19 |
| Number of constituencies | 18.00 |
| Number of households | 7225 |
| Population density (per sq. km.) | 1302 |
| Sex ratio | 1049 |
| Literacy rate (total) | 88.53 |
| Literacy rate - male | 92.16 |
| Literacy rate - female | 85.10 |
| Work participation rate-total | 33.70 |
| Male | 55.62 |
| Female | 12.80 |
| % of electrified houses | 68.72 |
| % of pucca house | 34.43 |
| % of scheduled caste population | 6.79 |
| % of scheduled tribe population | 3.33 |

*Source* : Government of Kerala (2006).

The APTC in VGP took shape after a long-drawn process of deliberations between farmers and elected representatives of VGP. To a great extent, the APTC was set up to address woes which they had been airing for some time. However, the formation of APTC need be viewed in the backdrop of the agrarian scenario in the state in general and the village in particular. Table 2 summarises certain important characteristics of the agricultural economy of the village. The Work Participation Rate (WPR) for the village is 33.70% with a male WPR of 55.62% and a female WPR of 12.80%. A relatively low WPR for female in the village may also be viewed from its caste composition, which is dominated by the upper caste, *Nair* community. Females in the *Nair* community even form the lower economic strata do not consider wage labouring particularly in the agriculture sector as a socially acceptable proposition even if they are unemployed. Important observations emerging from Table 3 are: (i) cultivators constituted only 5.33% of the total main workers in the GP, of which 94.25% are males; (ii) proportion of agricultural labour in the workforce is again on the lower side as compared to the state average as only 18.78% of the workforce in VGP is engaged in wage labour in the agricultural sector. Representation of females in the agricultural workforce is much higher (32.86%) than their representation in the cultivator category, which to a great extent, is supplied by female workers form *Dailit* families in the village; (iii) cultivators and agricultural labourers in VGP, together constituting the farm dependent population, is 24.11% of the workforce. Industrial or non-farm activities in the village is one of the least developed sectors as only 3.43% of the work force is engaged in secondary sector. Marginal workers accounted for 16.33% of the total workforce in the village and their proportion has been on the increase, which in turn is a manifestation of the fast depletion in area under labour absorptive crop like rice and tapioca (dry land). About 4% of cultivators and 34% of agricultural labourers of the marginal workforce depend on the farm sector for their livelihood.

Table 3. Percentage Distribution of Main Workers-2001

| Category | As % of total main workers | Number |
|---|---|---|
| Main workers as % of total workers | 83.67 | 8158 |
| Main male workers as % of total main workers | 82.89 | 6762 |
| Main female workers as % of total main workers | 17.11 | 1396 |
| Marginal workers as % of total workers | 16.33 | 1581 |
| Cultivators as % of main workers | 5.33 | 435 |
| Male cultivators as % of male main workers | 94.25 | 410 |
| Female cultivators as % female main workers | 5.75 | 25 |
| Agricultural labour as % total main workers | 18.78 | 1491 |
| Male agricultural labour as % of total AGL | 67.14 | 1398 |
| Female agricultural labour as % of total AGL | 32.86 | 93 |
| Household industry workers | 3.43 | 280 |
| Male HH industry workers as % of total HH industry workers | 67.14 | 188 |
| Female HH industry workers as % of total HH industry workers | 32.86 | 92 |
| Other workers as % of total main workers | 72.95 | 5952 |
| Male other workers as % total other workers | 80.07 | 4766 |
| Female Other workers as % total other workers | 19.63 | 1186 |

*Note:* HH refers to households.
*Source*: Government of Kerala (2006).

Landholding structure is yet another important characteristic feature of any agrarian economy and its analysis assumes significance in understanding the cropping pattern, type of farmers and the very nature of farming. Table 4 shows the land holding structure in Velland Block Panchayat, wherein VGP is one among its seven constituents. As the statistics on landholding structure at the GP level is hard to come by, block level data is used to analyse the landholding size and structure of VGP under the presumption that the land holding structure at the block level hold good for the VGP too. It is found that 92.87% of the holdings in Vellanad Block Panchayat has an area less than 0.5 hectare and another 5.16% of the holding has a size of 0.5 to 1 hectare of land, together accounting for 98.03% of the total holdings (marginal farmers). It is also important to note that 79.52% of the total cultivable area in Vellanad Block Panchayat is under marginal farmer category. In wet land, rice cultivation has almost seized to be a crop of any significance on any count owing to several factors and the rice cultivation has given way mostly to crops such as banana, tapioca (tapioca cultivation has been shifted from dry land to wet land) and vegetables. Wetland leasing is rather prominent in the village as marginal and small farmers, who do not possess sufficient family labour to employ in the field, lease out to erstwhile agricultural labourers and peasants who have sufficient family labour to employ for the cultivation of the crops such as banana, vegetables and other annuals for the market. Moreover, it is always profitable for marginal and small farmers to lease out land as they derive their main source of living from non-farm activity. Further, they do not want to cultivate the wetland as the prevailing ground rent for wet land ranges between Rs 1,200 to Rs 2,000 per *para* (14 cents or 0.056 of a hectare of land) for a crop year and leasing out is, therefore, more profitable for land owners than engage in direct cultivation. The market for banana is rather prominent as the produce is widely used for preparing banana chip, which has also carved out a good export market in gulf countries. Unlike other parts of India, about 10 varieties of plantain[3] are cultivated in southern part of Kerala notwithstanding the fact that banana *(nentravazha)* is the most widely cropped plantain variety in wet land, prompted by its demand, shorter crop cycle (12 months) and above all least prone to plant diseases. Farmers usually cultivate other varieties of plantain in dry land or in own wetland.

Table 4. Landholding Structure in Vellanad Block Panchayat

| Size of holdings (in hectare) | As percentage of total | |
|---|---|---|
| | Holdings | Area |
| Marginal | | |
| < 0.5 | 92.87 | 58.25 |
| 0.5 to 1.00 | 5.16 | 21.27 |
| Small | | |
| 1 to 2 | 1.58 | 12.33 |
| Semi Medium | | |
| 2 to 3 | 0.27 | 3.60 |
| 3 to 4 | 0.05 | 1.10 |
| 4 to 5 | 0.03 | 0.64 |
| Medium | | |
| 5 to 7.5 | 0.01 | 0.31 |
| 7.5 to 10 | 0.00 | 0.00 |
| Large | | |
| >10 | 0.03 | 2.50 |
| Total | 100.00 | 100.00 |

*Source* : Government of Kerala (2006).

## III

### Formation and Development of Agriculture Produce Trading Centre (APTC)

*Plan Fund Devolution to LSGIs*

The plan fund devolution to LSGIs under the new Kerala Panchayati Raj and Nagarapalika Act, was commenced by the Left Front Government (LDF) in 1996-97. The LDF government assumed office in 1996 and devolved Rs 1025 crore plan fund to LSGIs in1997-98, which has been hiked to Rs 2050 crore in the 4th year of the 11th five year plan (Government of Kerala 2010). As per the norms employed to devolve state plan fund to local bodies at different levels, VGP received a total plan fund of Rs 107.11 lakh, which included Rs 79.67 lakh for general sector, Rs 22.80 lakh for Special Component Plan (SCP)[4] and Rs 4.64 lakh for Tribal Sub Plan (TSP)[5] for the year 2010-11.

*Background of the Formation of APTC*

Major crops cultivated in VGP are coconut, natural rubber and fruit trees in dry land and plantain, vegetables, paddy (on a very limited scale) and tapioca in wet land. As part of the global commodity price fall for primary commodities and the subsequent crisis in the agrarian front since the late 1990s, price of the major dry land crops, viz., coconut and rubber have fallen markedly. In order to find the means of survival, agricultural labourers, marginal and small farmers diversified to banana cultivation in wet land (often leased in on rent), as their counterpart did in other parts of the state. But the market for plantain and coconut in VGP were controlled by a few traders, whose agents turned middlemen operated and made direct purchases from farmers at the cheapest rate possible particularly during harvesting season and sold to traders at a higher price in the city markets (VGP is not an exceptional case in this regard). During the price fall driven agrarian crisis, especially in the harvesting season, the middle men had a hey day because farmers with one or two bunch of banana or 20 or 30 coconuts could not transport to the city market of about 22 km away from the village mainly for three reasons: (i) cost of transportation to city markets for a small quantity of produce is unaffordable to small producers; (ii) agriculture labour and peasant have to forgo wage for a day to travel to the city market, which is again not worth with a small quantity of produce; (iii) city markets are often unfriendly to small producers as big traders and middle men dominate such big markets.

The unscrupulous exploitation by the middlemen turned coconut and plantain vendors in connivance with the local merchants became one of the most frequently debated and discussed agenda in Gram Sabhas and in VGP committees. Even though the VGP was fully aware of and concerned about the deplorable and hapless plight of the farming community in the village, VGP committee had little idea about the feasible mode of interventions. The most familiar, and often demanded by farmers, way out to the impasse was procurement of farm produce by VGP, which was apparently beyond its functional purview. Moreover, huge working capital required for the procurement of banana and other varieties of plantain compounded further by its managerial problems, which is rather common to any type of a perishable crop like banana, added to its trepidation and agony. However, as farmers' woe mounted up, VGP was left with no other alternative but intervene by any means.

Keeping the objective in mind, on 14 October 2004, VGP convened a meeting of farmers at the GP hall, but dissolved without any major breakthrough in the deliberation. Again, the VGP committee asked the farmers to convene in the next month, after a series of informal consultations with various stake holders including farmer's unions. Accordingly, the second meeting of the stakeholder committee was held in November 2004 and the third meeting was held in the month followed. The meeting convened in December 2004 resolved to procure all varieties of plantain from farmers in VGP at a price fixed on par with the one offered by Vegetable and Fruit Promotion Council Kerala (VFPCK). Further, the procured plantains were decided to be sold to vendors at the same price as it was not possible to charge a higher selling price from banana traders. In other village markets, the banana and plantain were available at a lower price, which would leave the procured product in APTC unsold. Those were constraints on fixing a mark up over the procurement price. The proposition of procuring at a lower price from farmers was also not a feasible solution to the impasse as a little fall in the price of the farm produce did really matter to petty producers and they would invariably prefer to sell to a higher price if it were possible in the open market. If the procurement fails, then it would augur doom for the venture, proving detrimental to farming community in general in the GP. The GP and APTC thus ended up in a fix. Taking into consideration all such issues likely to be cropped up, it was decided to start with the procurement of banana and other varieties of plantain and deferred coconut procurement for the time being. Moreover, the plight of banana and plantain farmers were more miserable as they cultivated crop on leased land and the cost of cultivation was met with borrowed money from village money lenders at an exorbitant interest rate. Moreover, fetching market for coconut within the village was rather difficult and it required at least primary processing, for which a factory set-up was essential. The APTC was neither equipped to venture it nor did it have adequate expertise and capital for investment.

To begin the operation of VGP's APTC, a 60 member farmer committee was formed with an elected board of directors of nine farmer members. Agricultural Officer and the President of the VGP were inducted to the elected board of directors as ex-officio members. The nine member committee was headed by an honorary president and assisted by a secretary. The organisation is registered as *Agricultural Products Trading Centre of VGP: A Farmers' Self-help Group Enterprise (APTC).*[6] The secretary would personally supervise day today functioning of the organisation and shall remain responsible for accounts and auditing. As per the by-law of the organisation, any farmer residing in VGP could sell farm produce to APTC but for membership in APTC one should register with Rs 10. However, the voting right and eligibility to contest to the board of directors is restricted to those who could sell plantain to APTC for a sum of not less than Rs 5000 in a year. This condition enabled the farmers to protect the APTC from being grabbed by non-farmers and other vested interest groups. Registered members are share holders of APTC and a share is valued Rs 250. The strength of the board of directors has been increased from nine to 11 members in 2009.

*Mode of Operation*

As soon as APTC started its operation, it could realise the trouble that was in store for it. It did not have sufficient working capital to procure banana from farmers as time gap between procurement and sale increased the magnitude of the working capital required. Moreover, local middlemen, vendors and merchants joined hands and hatched up strategy to cripple APTC in its infancy by preventing the traders from the city market buying banana from the APTC. It further aggravated the issue as ripened banana and other plantain could not be stored resulting in a huge loss. APTC director board members resisted the counter move by the vested interest group in the GP by mobilising Rs 0.50 lakh as working capital without interest to tide over the impasse and succeeded in their endeavour. Ripened banana and plantains were sold to the local vendors at a lower price while a portion of the banana was sold to local people by way of campaign and it could give much needed publicity to the new venture. Marginal and small farmers brought small quantity of plantains to the market to purchase their daily provisions and therefore, payment to them could not be delayed even for a day. In the very first year of its inception, in spite of all such hurdles, APTC functioned smoothly gaining the confidence of both farmers and traders. In the second year of its operations, the VGP granted Rs 0.30 lakh as revolving fund for the APTC.

The operational cost of APTC is met with the commission it deducts at the rate of 3% from the value of the produce of its members, of which, APTC retains 2% for administrative expenses and the remaining 1% is returned to the farmers as bonus at the end of the year. From 2009 onwards, 5% is deducted from the value of produce to give a higher amount as bonus (3%), which, in a way, is a sort of forced saving for farmers. Every farmer member is provided with a pass book in which the transactions entered. It is meant mainly to keep the farmers informed about the amount they entitled to bonus. The bonus is based on the amount of sale made by farmers to the APTC in the preceding year. In 2004, a good number of farmers received the maximum bonus of Rs 6,000, and the bonus amount has been increased to Rs 10,000 in 2010. The operating cost of the APTC includes salaries for its two employees and other expenses including printing of receipts, cash book, etc. The banana trading centre has a paid accountant and a grader cum worker with Rs 6,000 and Rs 5,000 as monthly salary respectively. In addition to it, Rs 3,000 and Rs 2,500 are paid as festival bonus to them. Further, VGP has entered into an agreement with the head load workers in the village to allow the farmers and traders to load and unload their produce at the marketing place on their own and therefore the farmers and traders need not pay head load charge.

Since the APTC has become operational, daily supervision and monitoring is inevitable to instil confidence, fairness and transparency in the dealings. The honorary secretary of APTC, who render voluntary service for the last six years is at the helm of affairs of APTC. It is also important that the person needs to be a socially respected and accepted figure for peasants as well as local vendors primarily for the reason that the acts of visual grading and weighing the produce (banana and plantain) should not only be accurate and unbiased but any dispute, if at all it arises, need be amicably settled. For every purchase the APTC makes three bills. The first bill will be given to the farmer. The duplicate bill will be issued to the buyer. The other duplicate will be kept in the centre. This is to convince the farmers that the price of buying and selling are the same for the produce.

In spite of the initial loss for a while, the centre became a hub of activity in the wee hours of the day. Within a period of six months, the local market for plantain was literally closed down to the bewilderment of the middlemen. Now that the rural village market for banana and other plantain have virtually seized to exist, local vendors and trades from the city are left with little option but purchase plantain from APTC. The class of middlemen has virtually been reduced to a non-entity in the VGP. Traders and merchants too are appreciative of middlemen extinction as they do not have to do bargaining. Now the household in VGP too get plantain and banana of the variety they prefer at an affordable price without bargaining. Moreover, anyone can book the type of plantain and its quantity required on any particular day (mostly on auspicious days), which the APTC would arrange from farmers through their network in the village.

*Activity Expansion under APTC: Establishment of Coconut Procuring and Processing Unit*

In VGP, in terms of area under cultivation, coconut has the maximum coverage. Coconut farmers in Kerala face the multiple problems of declining productivity due to plant disease on the one side and falling price which is primarily on account of liberalised imports of edible oil from abroad. Besides such problems that coconut farmers in general encounter for quite some time in the state, the local market for coconut is largely controlled by a few buyers. Coconut trading and oil extraction in Thiruvananthapuram district, to a great extent, is controlled by the caste group, *Viniya Chettiar.* Coconut traders have not only formed a cartel to fix the price of coconut and the price is much below the published open market price and the farmers have little option but sell the produce to the local vendors as the main market is situated almost 22 km away from the village. Marginal and small farmers in the village impressed upon the VGP Committee to find a way out for the trauma in the local market for coconut consistently through Garma Sabha.

Receiving impetus from the success story of banana and plantain procurement, APTC took up the challenge of procuring coconut in 2007. Compared to plantain, local market for coconut did not have many middlemen and the sale took place mostly at the residence or in the coconut field of the farmers as the bulkiness of the produce ( in terms of number) do make its transportation to the local market rather difficult. Intervention in the coconut market by APTC posed several problems such as: (i) coconut cannot be sold as quickly as banana; (ii) in the village, more than 70% of the households have some quantity of coconut production at home, which to a certain extent is sufficient for home consumption; (iii) however, not even 1% of coconut farmers process coconut at home to extract oil, for which they depend the open market (unlike other states, coconut oil is widely in cooking in Kerala); (iv) coconut tree is harvested once in 45 -50 days, and therefore its problems as compared to an annual like plantain is different in terms of stocking and working capital requirement, especially during the peak season. However, APTC resolved to expand its sphere of activity to coconut too, in spite of the insurmountable hurdles to translate it into a reality. Accordingly, the annual general body of APTC convened on 9 February 2007 resolved to intervene in the local market for coconut and in the same month, APTC extended its operation to coconut market too. For farmers, it was a great solace become the system existed in the village for coconut traders was dubious in many ways. Often, the traders visits the coconut field or the resident of the farmers and fix a rate for the coconut, and the rate is fixed for 100 coconut, irrespective of the quality and weight of the produce. Moreover, the amount is under paid after a week or a month. Against the fraudulent practice that the APTC resolved to bring in transparency in coconut trade and it was sought by pricing coconut by its weight. The coconut traders in the village tried to kill the intervention by dumping the low quality coconut into APTC. The price was much higher than the local rate which apparently kept major coconut vendors in the village out of the market. In the peak season, 2,000 kg to 2,500 kg of coconut could be collected in the centre in 2007. Price per kg of coconut varied between Rs 9 to Rs 9.5 in 2009 and the price was fixed slightly on a higher side as compared to market rate published for coconut in the news paper. During the lean season APTC could collect 700 to 800 kg at a price ranged between Rs 11 per kg to Rs 15 per kg in 2009. Coconut is sold from the centre at a price 5% higher than its buying rate, which is inevitable to run the centre with minimum profit because the weight of the coconut get reduced as it dries. The administrative cost is met through the 5% commission deducted from farmers.

*Establishment of Coconut Processing Unit*

Processing of coconut has become a necessity for APTC as the accumulated coconut could not be sold out. Setting up of a processing unit cost a capital expenditure of Rs 96,000 for drier and a oil extracting machine cost of Rs 2.5 lakh. The capital expenditure was met in part from plan fund of VGP and partly from bank loan. The Gram Panchayat permitted the APTC to set-up its factory in free of cost in the land where public market also functions, which in turn improved the accessibility to the centre and also enabled APTC to give wider publicity among the farming community in the GP. In the coconut collection centre, 5 persons are working with a monthly salary ranging between Rs 4,500 to Rs 5,000. On an average, 47 farmers had sold coconut to APTC in the lean season and their number increased to 75 in the peak season per day in 2009. On an average, 200 kg of coconut oil was sold at the rate of Rs 54 per kg and the price was on a lower side as compared to market rate while the quality of the oil was set superior and therefore people from distant villages purchased oil from the unit. For food preparation, on auspicious occasions, people prefer the APTC's oil as it is free from contamination and unadulterated. In large scale oil processing factories, sulphur chemical is added to *copra* (dry coconut), which keeps it fresh for almost a year while non-sulphur added *copra* could last only for a month. Similarly, coconut cakes of APTC, a by-product of coconut processing, too fetch a better market. However, quantity of coconut oil extracted from coconut is marginally on the lower side as compared to commercial plants for reasons of inexperienced workers in raw material preparation. APTC now sells coconut, coconut oil, coconut cake and shells. Now, the local market for coconut has already been shifted to APTC and the village market for banana, other verities of plantain and coconut have seized to exist outside the APTC. Even a farmer, howsoever smaller the quantity of his produce is, can sell to and buy from APTC.

Table 5. Turnover of APTC 2007-2010 *(Rs.)*

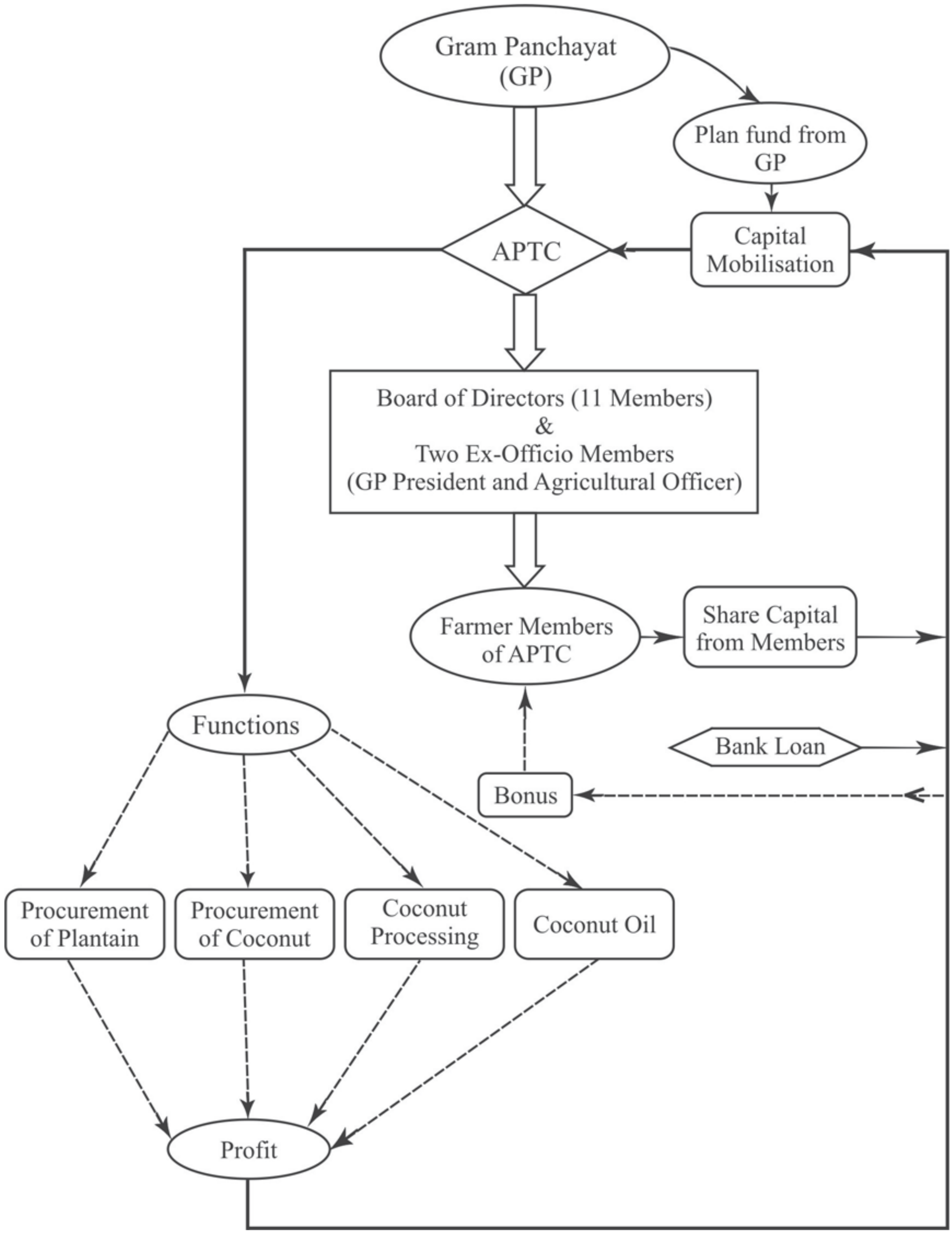
| Month | Turnover | | | |
|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010* |
| January | 436136 | 969400 | 1189566 | 2248882 |
| February | 763538 | 931327 | 929957 | 1901353 |
| March | 472334 | 786339 | 1101113 | 1659989 |
| April | 406968 | 770129 | 1000830 | 1527678 |
| May | 532880 | 913656 | 1050670 | 1455552 |
| June | 498588 | 880323 | 931760 | NA |
| July | 394848 | 947157 | 1124942 | NA |
| August | 520793 | 1008996 | 2069362 | NA |
| September | 554473 | 1256140 | 1100679 | NA |
| October | 674738 | 1164835 | 1407865 | NA |
| November | 656379 | 1275034 | 1558189 | NA |
| December | 993608 | 1228885 | 1522553 | NA |
| Total | 6905282 | 12132221 | 14987486 | 8793454 |

*Note :* *Statistic available only up to May 2010. NA- Not Available.

*Source :* APTC.

Table 5 shows the turnover the APTC from January 2007 to May 2010. As mentioned elsewhere, the APTC started its operation with Rs 0.30 lakh in December 2004. Monthly turnover in a peak season (January) in 2010 was as high as Rs22 lakh. It is worth mentioning that APTC in a small village, dealing in only two commodities, posted an annual turnover of Rs 1.498 crore in 2009. Further, the turnover in 2009 was 75% higher than the previous year. Chart 1 shows the operational structure of APTC.

Chart 1. Structure and mode of working of Agriculture Producers Trading Centre (APTC).



## IV

*Impact of APTC on Farm Sector in VGP*

Farmers' response to the intervening mechanism designed and practiced in VGP needs close perusal to comprehend its impact on farm front in the village. Any form of market intervening strategy assumes special significance in the present context because price volatility emerging from a globalised market for farm produce leave its manifold manifestations even in a remote village economy and it has already come into being under the agrarian neo-liberalism pursued in India since the early 1990s. To a great extent, agrarian crisis precipitated in India in general and Kerala in particular since the late 1990s is an upshot of the unsteady market which the peasant community found rather difficult to cope with. It is found that 80% of sample households are farmers of different type who lease in wet land or cultivate own land or both and 20% of the sample households are agricultural labourers who are engaged in leased land cultivation (wet land) of commercial crops to supplement their wage income for livelihood. It is worth mentioning that 60% of the holdings operated by sample households have an area less than an acre and the relative share in area cropped by those farming community is less than 30% (Table 6). In the total holdings, 86.67% are marginal holdings cultivating 61.44% of the total area and only 10% of farmers in VGP operated land area above one hectare. It points out to the vulnerability resulting from even a mild fall in the price of the farm produce on a large section of the community. Table 7 shows the distribution of wet land leased in by farmers and ground rent paid for. It is interesting to note that 60% of the farmer households have leased in wet land mainly for the cultivation of banana, other plantains and vegetable for the market. Average size of wet land leased in was 0.72 acre. Prevailing rate of ground rent in the village is as high as Rs 108 percent of land or Rs 26,784 per hectare for a crop year (Table 7). A farmer has to have surplus over and above the ground rent and cost of cultivation to find livelihood for her family. Again, wet land leasing-in by erstwhile agricultural labourers and peasants have spread widely during the last two decades in the state and VGP is not an exception to it. Often, those having a source of income other than agriculture or have stopped cultivation either on account of farming in wet land being non-remunerative or lack family labour to engage in cultivation.

Even during lean season when farmers stood a better opportunity to strike a good bargain and fetch a higher price, they preferred to sell their produce to APTC. More than 63% of members of the APTC responded that a stable, fare and assured price as important reasons and for 23% of farmers, spot payment was the motivation to sell to APTC. Before APTC was established, farmers in VGP suffered nefarious ways of exploitation mostly from middlemen turned agents of traders from the city markets. As mentioned elsewhere, those 'agents' formed a group and acted in collusion to bargain with the farmers. The village had banana and plantain market operated from 4 am on Wednesdays, Fridays and Sundays. Farmers suffered heavy loss due to: (i) price under cutting, artificial creation of excess supply in the market; and (ii) exploitation by middlemen turned agents. In addition to it, there is an entry cost to the local market because the market is leased out on an annual rent basis by Gram Panchayat and the lessee collects levy every day from commodities brought to the market for sale. For a bunch of banana, Rs 3 was the then prevailing levey. Prior to the entry of APTC, 60% of farmers were selling their produce to the local market and another 17% to the small shops in the village, which is also part of the local market. Only 20 % of farmers, who had relatively large quantity, could take their produce to the city markets. A noteworthy feature of market intervention of VGP was that 80% of sample farmers reported to have expanded the area under cultivation, especially under banana and to a lesser extent coconut, after the APTC's intervention. Obviously, area response of a perennial crop like coconut is not as immediate as annuals like plantain and banana. Another 10% of sample farmers responded that they had made farming more intensive while another 10% reported that they had become full timers in farming as they were assured of a stable and remunerative price by APTC. On an average, a farmer who sold banana and coconut to APTC in VGP could receive Rs 26,788 per annum from APTC in 2009. The APTC, besides intervening in the market, impart training to farmers on modern cultural practices while helping the farmers avail extension services through agricultural universities and the agricultural office in VGP. Further, APTC is also reaching out to other crops and areas in the primary production sector for the comprehensive development of the farm sector.

Table 6. Landholding Structure of Sample Households

| Size of Holdings (cents*) | No of farmers | % share of area | Average size of holdings |
|---|---|---|---|
| Landless | 2 | 0.00 | 0.00 |
| 1 to 50 | 8 | 6.19 | 27.00 |
| 51 to 100 | 10 | 23.54 | 82.10 |
| 101 to 150 | 2 | 7.82 | 136.50 |
| 151 to 200 | 2 | 9.80 | 171.00 |
| 201 to 250 | 2 | 14.10 | 246.00 |
| 251 to 300 | 1 | 8.60 | 300.00 |
| > 300 | 3 | 29.95 | 348.33 |
| Total | 30 | 100.00 | 126.61** |

*Note* : Out of 30 sample households, 29 of them belonged to marginal farmer category. Since the average size of land holdings is too small in Kerala in general, using standard classification as marginal (0-1hectare), small (1-2 hectare), semi-medium (2-4 hectare), Medium (4-10 hectare) and large (>10 hectare) would not reveal holdings size and its density below one hectare of land. Therefore, further disagregation of landholdings is used.

* is the unit of land measurement prevalent widely in Kerala and one cent is 1/100$^{th}$ of an acre and 2.47 acre constitutes a hectare.

** Average size of holdings refers to average of all size of holdings.

*Source:* Primary Survey.

Table 7. Wetland Leased in and Ground Rent.

| Land leased in (in cents*) | Farmers (Nos) | % share of land leased in | Average area leased in (in cents) | Average rent paid per cent of land (Rs) |
|---|---|---|---|---|
| No land | 12 | 0.00 | 0.00 | 0.00 |
| 1 to 50 | 7 | 11.41 | 35.29 | 113.36 |
| 51 to 100 | 6 | 22.31 | 80.50 | 87.63 |
| 101 to 150 | 1 | 5.17 | 112.00 | 107.14 |
| 151 to 200 | 1 | 7.76 | 168.00 | 107.14 |
| 201 to 250 | 0 | Nil | Nil | Nil |
| 251 to 300 | 1 | 12.93 | 280.00 | 142.86 |
| > 300 | 2 | 40.42 | 437.50 | 107.14 |
| Total | 30 | 100.00 | 72.17** | 108.12** |

*Note* * A cent of land is 1/100$^{th}$ of an acre and 2.47 acre constitutes one hectare.
** Average for all size classes.
*Source* : Primary Survey.

V

**Conclusions**

An important objective of decentralisation drive in Kerala, initiated following the 73$^{rd}$ and 74$^{th}$ Constitutional Amendment Act, 1992 was the revival of the crisis afflicted regional economy, particularly its material production sector. It was sought to be achieved by devolving about 35% of the state plan fund to local bodies with a clearly defined guidelines for its utilisation. Vellanad Gram Panchayat resolved to intervene the local economy by ensuring a stable, remunerative and assured price to the farmers, which was the felt need of the farming community as discussed in the Gram Sabha meetings. Accordingly, APTC was formed to procure banana, other variety of plantains, and coconut- major crops cultivated in tiny landholders in the village. Within a few years of the market intervention mechanism through APTC, the local market for these crops have completely been freed from middlemen and the APTC has emerged as the single agency trading in those commodities in the village. As a result, marked changes could be brought in the cultivation of area under those crops and farmers were assured of a stable and remunerative price to their farm produce. To a very great extent, the intervention of the VGP in the agricultural produce market could protect the farmers from the vagaries of the market, which is the characteristic feature of agricultural neo-liberalism since the second half of 1990s. However, the study underlines that there exists well-defined constraints of any such venture of market intervention by LSGIs as the price offered by VGP need move perfectly in tandem with the price in the open market and it again is linked to the price movement (for coconut oil) in the international market. On the contrary, to a certain extent, price for banana and plantain, are fixed on par with the price offered by Vegetable and Fruit Promotion Council of Kerala and therefore, is delinked from the international market. It underlines that the intervention by local governments under decentralised planning could be successful in those commodities for which the market is not integrated with the international one. It is the limit imposed on local level development under decentralised planning process in a globalised market regime.

## Notes

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2 Guidelines for Sectoral Utilisation of Plan Funds for LSGIs in Kerala

| Five Year Plan | LSGIs | Productive | Infrastructure | Service |
|---|---|---|---|---|
| 9th Plan | Rural | 40 | 30 | 30 |
| | Urban | 30 | 35 | 35 |
| 10th plan | Rural | 25-30 | 30 | 40 |
| | Urban | 10 | 50 | 40 |
| 11th Plan | Rural | 40 | 20 | 40 |
| | Urban | 10 | 50 | 40 |

*Source :* Government of Kerala (2004).

3 In Kerala, especially in the southern part, about ten varieties of plantains are grown. Plantains refer to a group of banana species with varying size, taste and crop cycle. They are harvested green and some of its varieties are widely used as cooked vegetables. Banana is a long curved fruit and has soft pulpy flesh and yellow skin when it rips. The banana grown in Kerala is different from other varieties cultivated in rest of India.

4 Special component plan is the special plan fund granted specifically for *Dalits* (scheduled caste) and the size of the grant to LSGI is based on their population size.

5 Tribal Sub Plan is the plan fund for *Adivasis* (scheduled tribe) population.

6 As per the guidelines, LSGIs are not permitted to handover or extent financial help to organisation registered under charitable Act or as cooperatives. Therefore, APTC is not registered with any statutory body but continue as self help group of farmers and functioned under VGP.

7 *Vaniya Chettiar* is a sub caste in the Chettiyar community. They are traditionally involved in the business of coconut oil and groceries. This community is seen prominently in South Indian States, particularly in Tamilnadu and Kerala.

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