

ANNEXURE – 1 TO THE MINUTES OF THE MEETING HELD ON 18/04/2007

**The Kerala State Farmers' Debt Relief Commission
Trivandrum**

Present

1. Justice K.A.Abdul Gafoor, Chairman
2. M.K. Bhaskaran, Member
3. Prof. M.J. Jacob, Member and
4. Prof. N, Chandrasekharan Nair Member

**Decision Taken to Initiate *suomotu* Proceedings
in respect of Wynad District in terms of section 5(1) (b) of
the Kerala Farmers' Debt Relief Commission Act 2006 (Act 1 of 2007)**

The National Commission on Farmers while submitting its final report in October last has noticed the crisis faced by the agricultural sector in the country. The report makes it clear that the most extreme manifestation of the crisis is the suicide of the farmers, who were typically driven to the desperate act by the inability to repay debt incurred in the process of cultivation and associated activities.

The incidence of suicide by farmers is not uncommon in Kerala also. Recurrence of such unfortunate incident during the last few years was alarming. The Kerala Legislative Assembly while enacting the Kerala Farmers' Debt Relief Commission Act 2006 (Act 1 of 2007)- herein after referred to as the Act- has seriously noted this aspect in its preamble, while providing for relief measures in that legislation. There were 371 suicides by farmers in Wynad district alone during the period from 1999 to 2006, as per the details furnished by the Director of Agriculture.

During the last session of the legislature, in reply to a submission by a legislator, the Hon'ble Minister for Agriculture has given the statistics of such suicides including that occurred in the current year. This was on 26-3-2006. It was reported that there were 46 suicides in Wynad district by debt trapped farmers between May 2006 and March 2007. Even thereafter news papers have carried news items more than once about recent occurrences including that in the district of Wynad. Necessarily it is an important aspect to be taken note of by the Commission while exercising the powers vested in it in terms of

Section 5(1)(a) of the Act. This prima facie shows that the entire district is facing a heavy crisis.

Government of India has approved a Rehabilitation Package for the revival of the agrarian economy covering about 31 districts in the country. Wayanad is one among the three districts selected from Kerala in accordance with the Government of India communication No. 12015/41/2004-CR.1 dated 10th October, 2006. The Planning Commission has also identified Wynad as a district approved for Backward Regions Grant Fund, as revealed from DO No. P-12053/4/2006-MLP dated 27/09/2006 of the Planning Commission, New Delhi. Report by Government of Kerala on Crop Damages Due to South West Monsoon during 2006 discloses that there was a total estimated loss of Rs.111698050/- in Wynad district alone and that about 10742 farmers were affected thereby. The damage affected an area of 1839.74 ha. in that district. These factors also indicate that the situation in that district is in a distressed state.

It is seen from the proceedings of the Commissioner of Land Revenue published in Kerala Gazette Extra Ordinary Vol-50 No. 660 dated 30th March, 2005 that the entire area in Wynad district was declared as drought affected with effect from 23/03/2005, exercising the powers under Rule 2 of Kerala Famine Relief Fund Rules, 1965.

The package announced by the Government of India is not attractive for the vulnerable groups of the farmers because it does not address fundamental issues leading to the extreme step of suicide. It is so observed in the annual *Economic Review* for the year 2006 prepared by the State Planning Board Kerala. This observation by that expert body worth the deserved value.

Thus there are ample circumstances for the ameliorative steps contemplated by the Act being translated into practice.

It is well known, beyond contradiction, that prices of agricultural commodities of the State are extremely volatile. According to the Planning Board, the index of prices received by farmers, over the previous year declined by 43 points in 2006, whereas the prices paid by farmers increased by 194 points. This signifies that the price situation is unfavourable to the farming community. The ratio of prices received and prices paid by farmers were

well below 100 over the last several years. This reflects the continuance of adverse terms of trade to the farming community. The situation in Wynad cannot be different. Table 15.6 of the *Economic Review 2006* indicates that the variation in Index of Parity-Prices Received and Paid by Farmers did not have any comparison each other.

The index for the year 1996 of the prices received by farmers was 2079 and it had risen only up to 2397 in the year 2006, while those of the prices paid by them for the corresponding years were 2666 and 4834 respectively, recording a growth rate of 2.4 percent and 6.2 percent over the period while the growth rate of prices received declined by 2% in 2006 as compared to that in 2005 and prices paid increased by 4%. Added to this is the rise in the index of domestic expenditure from 1810 to 2913 in the said years. This weakens the economic wellbeing of the farmers.

The rise in cultivation cost was from 3928 to 8025 in the said years. This is further demonstrated by the rise in wages of male unskilled workers from Rs.77.17 to Rs.174.67 and in the case of female workers from Rs.51.17 to Rs.119.80. These are factors common to Wynad also, perhaps with marginal variations.

One among the main crops of Wynad is rice. It is cultivated in about 12988 hectares of land in the district. The productivity of rice in Kerala had gone down heavily to 1984 Kg per hectare in the year 2003-04 as against 2218 Kg for the previous year. The marginal increase in the next year to 2301 Kg cannot be said to be sufficient to cure the damage caused by that great fall. Added to this was the further decline in productivity in the year 2005-06 to 2285 Kg from 2301 Kg in the previous year. The sharp increase in the prices of fertilizers has also added further agony to the rice growers. There was also decline in the value of paddy output in the State as shown below,

1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
51006	46897	44574	47277	50003	43785	42873
(Rs. in Lacs)						

Pepper is a monopoly crop of the State, so far as our country is concerned. In Wynad, it is cultivated in an area of 40839 hectares. Any adverse factor in this crop will also, necessarily, tell upon the economic capability

of the farmer community in the district. Statistics reveal that the price level of Rs. 215 per Kg in 1999-00 fell rock bottom to Rs. 60 Kg in the year 2005-06. This declining trend started since 2000. There was also liberalization of imports in pepper, which adversely affected its market.

Coffee is extensively grown in Wynad in about 66973 hectors of land. At the same time it is one among the small holder plantation crops. In the case of this export dependent crop, the unit realization has declined from Rs. 95.37 in the year 1997-98 to Rs. 57.83 in 2004-05, though there was an improvement in the year 2005-06 to RS. 74.92. Thus the trend in this crop during the last five years or more was disappointing, so far as the cultivators were concerned, eroding their financial capacity.

The price variation in cardamom also was downwards adding agony to agriculturists.

The following details reveal that there was steady decline in agricultural income of the State during the years 2000-01 to 2003-04.

Growth of Agricultural Income in Kerala (1990 Prices)

Sl.No.	Year	Agricultural income (Rs. in crores)	Rate of change over previous year	Percentage contribution to State income
1.	2000-01	12334	0.47	17.30
2.	2001-02	12272	- 0.50	16.53
3.	2002-03	12334	0.50	15.52
4.	2003-04	11955	-3.07	13.91
5.	2004-05*	12597	5.37	13.55
6.	2005-06**	12712	0.91	12.66

Source: Directorate of Economics and Statistics

* Provisional ** Quick

The marginal increase felt in the year 2002-03 as compared to its previous year was not at all a real rise as compared to the year 2000-01. The increase in the income estimated for the year 2005-06 is very negligible rating even below one as per the above statistics. An important feature of the above information is that percentage of the

agricultural income in the State as against the total income was steadily declining. This shows the pathetic situation in the agricultural sector as compared to other major economic activities. Necessarily it will reflect on the financial capability and economic well being of the agrarian community in the State. So far as an agriculture dominated district of Wynad is concerned, the worsening effect on economic situation of the Farmers will be more indeed. This has to be viewed in the accepted background of the positive trend of growth in the sector recorded in the previous decade.

The agricultural scenario of Kerala is principally governed by rain fall. The deviation in rainfall, apart from affecting production and productivity of annual crops, also affects the productivity of perennial crops such as coconut, rubber and pepper in the long run. Percentage of departure of rain fall in the State during the last few years was in the negative, as shown below.*

1998	----	0
1999	----	-8
2000	----	-21
2001	----	-6
2002	----	-14
2003	----	-14
2004	----	-3
2005	----	0
2006	----	-2

The variation of the rain fall in Wynad district during the period from 2002 to 2004 was as follows:

2002	-	-44 %
2003	-	-45 %
2004	-	-23.5 %

(see the Report on Status of Kerala Agriculture and Issues and Priorities for XIth Five Year Plan by the State Planning Board)

RAIN FALL IN THE DISTRICT IN 2006 *

South-West Monsoon			North-West Monsoon		
Normal mm	Actual mm	% of Departure	Normal mm	Actual mm	% of Departure
2756.0	1790.9	-35	334.7	251.1	-25

* *IMD website (indebted to Planning Board Kerala)*

Details furnished by the Director of Agriculture reveals that due to the drought during the year 2003-04 there was total crop loss of Rs.427785450/- in Wynad district alone.

After detail study based on the authoritative data and other information, it has been pointed out by the Planning Board, Kerala in its *Economic Review 2006 as follows:-*

'According to the recent reports of UN Intergovernmental Panel on Climate Change (IPCC February 2007) at continental, regional, and ocean basin scales, numerous long term changes in climate have been observed. These include changes in Artic temperatures, widespread changes in precipitation amounts, ocean salinity, wind patterns and aspects of extreme weather including droughts, heavy precipitation, heat waves and the intensive of tropical cyclones. Intense and longer droughts have been observed over wider areas since the 1970s, particularly in the tropics and subtropics. Increased drying linked with higher temperatures and decreased precipitation have contributed to changes in drought. Changes in sea surface temperatures (SST), wind patterns, and decreased snow pack and snow cover have also been linked to droughts.'

And that,

'The US space agency NASA has warned that global warming may worsen droughts in water strapped parts of the world and lead to more rainfall elsewhere. The rainfall pattern will change and decrease further in different parts of the world including South East Asia (NASA, 2007)'

Thus the coming days also cannot be expected to be farmer friendly in any way and the community cannot expect any better situation.

There was no sizable migration from agricultural sector to other sectors for employment purpose, obviously because such sectors could not generate new avenues for avocation. As observed in the draft report of the National Commission on Agriculture, the slow growth of opportunities in the non-farm employment sector has led to the proliferation of tiny and economically non-viable holdings. This has led to further more fragmentation of the existing

holdings resulting in cultivation becoming uneconomic. As pointed out by the Planning Board 'There was no perceptible improvement in the extent of land use for agriculture. In fact net sown area is declining over the period'. Naturally, it results in reduction in the net income of the farmers.

Yet another factor which adversely affected the farmers, generally, was the sharp increase in the prices of fertilizers and in wages. Table 15.7 in the *Economic Review 2006* indicates the rise in wages of unskilled workers in agricultural sector. The wage rate of Rs. 77.17 of male workers in the year 1995-96 witnessed a rise upto Rs.174.67 in 2005-06. The corresponding figures for the female workers are Rs.51.17 and Rs.119.80 respectively.

The following table reveals decline in the total value of agricultural out put in the State at 1993-94 prices, during the period from 1996-97 to 2002-03.

1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
922271	791498	715410	790119	797531	774277	722897
<i>(Rs. in Lacs)</i>						

This tells another tearful story of those who feed the nation. And Wynad cannot be an exception.

Report No.501 on Household Indebtedness in India as on 30-06-2002 prepared by National Sample Survey Organisation reveals that indebtedness was too widespread in rural areas of Kerala also and that it was the highest in urban area of Kerala. Average outstanding loan per farmer household was highest in the state of Punjab, followed by Kerala, Haryana, Andhra Pradesh and Tamil Nadu as per the 59th Round Report of NSSO on Situation Assessment Survey on Indebtedness of Farmer Households. Incidence of indebtedness in Kerala was found to be at 64.4%. Out of these indebted households, 6.1% was from SC/ST and 49.6% belonged to OBCs. Another look on the data discloses that out of the indebted households, 38.30% belong to the agricultural community. Out of the indebted farmer households, 87.70% holds only up to one hector of land and are thus marginal farmers and out of them 21.40% have taken pure agricultural loan and almost another 30% have availed of non-commercial loans. The report further reveals that outstandings were quite high in Kerala. This, being the

general pattern of the State, will be applicable to Wynad District as well.

Necessarily the indebted farmers faced with the aforesaid adverse circumstances will not be able to repay in time the loans availed by them and they will be further mulcted with mounting liability towards interest as well as other penal levies. They will also have to face recovery proceedings at the threat of loss of their holdings.

Based on the aforesaid reasons and aspects, the Commission feels it just and necessary to conduct an enquiry, exercising the powers vested in and the functions enjoined on it in terms of section 5(1) (a) of the **Kerala Farmers' Debt Relief Commission Act 2006** (Act 1 of 2007) *suomotu* to recommend to the Government of Kerala **to declare the entire area of the revenue district of Wynad as distress affected area.** It is therefore decided accordingly.

It also decided to publish notice to the creditors in Wynad district requesting them to submit their reply or objections, if any, in writing, in triplicate, to the said proposal, to the Commission, within two weeks from the date of publication of the notice and to appear before the Commission, in its sitting to be held **at 10.30 am on 16th May 2007 at Government Guest House, Sultan Bathery,** either in person or through authorized agent, in case they wish to be heard in person. They also have to be informed that in the absence of their reply or objection, the Commission will proceed further with the matter, as per law, as if they have no objection to the aforesaid proposal.

Dated this the 18th day of April 2007

1. Justice K.A.Abdul Gafoor
2. Sri. M.K. Bhaskaran, Member
3. Prof. M.J. Jacob, Member
4. Prof. N, Chandrasekharan Nair
Member