September 2015 IJPSS Volume 5, Issue 9 ISSN: 2249-5894

"MONOPSONIC EXPLOITATION OF SMALL AND MARGINAL FARMERS IN MAHARASHTRA AND NEED FOR DEVELOPMENT OF RURAL MARKETING SYSTEM."

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Abstract

Small and marginal farmers form the bigger chunk of grain oil seed and cotton producers in rural area in Maharashtra. Social inclusion is a key concept indicative of partnership of small marginal farmers in gains of technological progress and growth in agricultural sector. If the small and marginal farmers are squeezed by the rural marketing system they will be excluded from gains. Present rural marketing in Maharashtra is controlled by Agricultural Marketing Produce Committees (APMC) which is highly politicized and it is battle field of rural party politics. The buying of agricultural produce is in the hands of business class who use the cobweb theory and monopsonic tactics of cartelizing whole buying process at the time of harvesting grains cotton and soya bean crop. The floor support price of buying taken over by Co-op Marketing Federation is most of the times lower than the actual cost of sowing and harvesting. The monopsony is a condition of market filled with large number of small capacity sellers and only one big buyer (co-op sugar factory or a big consigner sitting in APMC limits). 'Monopsony' is a recent term the credit of which has been given to Mrs. Joan Robinson of Cambridge who coined and used the term in her Classic book Economics of Imperfect Competition (1932) Mrs. Robinson had recognized that the use of term 'monopsony' was illogical since it meant both single buyer-seller. Mrs. Robinson explained that she needed a word for situation where sole big buyer can exploit many small sellers (farmers). Social exclusion is occurring on a large scale in rural Maharashtra and there is urgent need to replace social exclusion by Social Inclusion in order to

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give full stop to farmers' suicides which are the result of Social exclusion. A debtor, a bank defaulter, a mortgager is a socially excluded person in rural Maharashtra mostly ruined by exploitative-monopsonic buying of agricultural farm produce at each successive harvesting by lowering purchase price until it goes below the cost of cultivation.

Key words: Monopsony, Cartel, Social Inclusion, Social Exclusion, Rural Marketing

Social Inclusion

A socially inclusive society is defined as one where all people feel valued, their differences are respected, and their basic needs are met so they can live in dignity and on the other hand Social exclusion is the process of being shut from the social, economic and cultural systems which contribute to the integration of a person into the community. The World Bank defines social inclusion as the process of improving the terms for individuals and groups to take part in society. Social inclusion aims to empower poor and marginalized people to take advantage of burgeoning global opportunities. It ensures that people have a voice in decisions which affect their lives and that they enjoy equal access to markets, services and political, social and physical spaces.[1] (World Bank) Social inclusion has been a strategy of development initiated by United Nations Development Program. World Bank with its affiliated institutions aims at empowering the poor and the marginalized to get into the main stream by the year 2030 by ending multi dimensional poverty. In the year 2010 at the initiative of United Nations Development Program the concept of Multi Dimensional Poverty Index (MPI) was constructed. Multi dimensional poverty index replaces human poverty index which was constructed only on the basis of small income the poor people earn. Multidimensional Poverty Index has other parameters to include in addition to tiny income of a poor man or poor woman or a poor household , like access to education , health , nutrition, how low is infant mortality rate , access to cooking fuel , access to toilet , clean dry flooring in the shelter and similar facilities with some assets like telephone , TV set, milking cow etc. Logically then to be socially included one must have access to enough food with nutrition , dwelling house ,electricity clothes , shoes , access to toilet, access to cooking fuel, safe drinking water within distance of one km apart from some income to sustain as a human being and there must be some assets as has been mentioned.

In order to understand the term Social Inclusion it is necessary to comprehend what Social Exclusion is.

To take the discussion beyond Inclusion/Exclusion dichotomy we must refer to what Amartya Sen has to say about social inclusion. According to Nobel Laureate Economist Amartya Sen[2] although the term social exclusion is of relatively recent origin, it has already made substantial inroads into discussions and writings on poverty and deprivation. The term is seen as covering a wide range of social and economic problems, sometimes to excess, and its critics have been as vocal as its advocates. In fact, this idea has conceptual connections with well-established notions in the literature on poverty and deprivation and has antecedents that are far older than the specific history of the terminology might suggest. It reinforces the capability perspective on poverty (poverty seen as the lack of the capability to lead a minimally decent life), in particular its multidimensional approach. Social inclusion is the process of empowering those who have been marginalized in the process of economic and social development. In a working paper in Canada on Social Inclusion in 2007 authors Shawn Fremstad, Rachel Gragg and Margy Waller, observed that, “Inclusion demands goals and policies that avoid separating us. Inclusion calls on us to strive for a nation in which everyone lives with purpose, dignity and satisfaction.”

Social exclusion of people is not on account of economic incapacity to function viably and adequately as productive agent but social exclusion may be due to lower rank of race, caste and tribe. For example the dalit caste people may be educated and self-sustaining but still they are not able to become part of majority upper caste society on equal status base. Similarly HIV infected people have been facing social exclusion.

In the context of the theme of this paper the author limits social exclusion to only economic exclusion and not socio-economic exclusion The small farmers (one hectare farm holders) and marginal farmers (less than one hectare holders) face social exclusion due to their bankruptcy on account of their farms .being mortgaged to banks , their stocks of grains underwent hypothecation of banks , marriages of their daughters postponed due to financial crisis. In the villages of India the rural people have respectability so long as they are economically independent and viable farmers.

Social Exclusion and farmers’ suicides

Social exclusion is the main cause of farmers’ suicides’ in Maharashtra and Telangana. Economic Growth has been befitting the rich and robbing the poor. The social exclusion is occurring due to widening gap between rich and poor. Magasasay Award winner journalist P. Sainath while criticizing present kinky economic growth in developing nations said “Inequality is worse in today's world than at any point since World War II. Inequality has grown faster in last 15 years than in the past 50 years." The foregoing statement of celebrated journalist P.Sainath contrasts with the claim of former Prime Minister Dr.Manmohan Singh who had been rhetorically saying that Indian's economic growth was 'inclusive growth'

According to National Crime Records Bureau between 1995 and 2015 nearly 60,000 farmers committed suicide in the state. Vidarbha region to which the present Chief Minister Devendra Phadnavis belongs claimed 965 suicides in 2013 alone as per Kisor Tiwari of VJAS (Vidarbha Jan Andolan Samiti) Farmers embrace death when they are facing social exclusion.[3] Over three lac farmers have committed suicides in India in last one decade our media is busy showing Sunanda Pushaker Shashi Tharoor Story and the Cricket World Cup players that is another malady. .

Monopsonic Rural Marketing

The term "Monopsony" was introduced by Mrs. Joan Robinson in her celebrated classic book "Economics of Imperfect Competition" The term monopsony was used to denote the monopoly of big buyers who continuously try to pin down the price while buying the raw material, grains, sugar cane and ores of mines. Though the **academicians give credit to Mrs. Joan Robinson for inventing the term "monopsony" She herself gives the credit for the term Monopsony to B.L.Howard of Cambridge**

The Co-op Sugar factories in Maharashtra are run by politicians who cleverly manage sugar factories to spemd for their elections and private expenditure. The Sugar factory though on paper is a co-operative unit in reality it is as good as own factory of private. These politicians using the co-op cover have formed the powerful cartel by name Sakhar Sangh and have established office in a 15 storied Rs.500 crore worth skyscraper in posh Nariman point area of Mumbai knon as Sakhar Bhavan. From this high rise building runs the game of monopolistic exploitation of sugarcane farmers. In mid Jan 2015 Maharashtra's agitated sugarcane farmers ransacked and burnt down office of the sugar commissioner in anger. [4] Sugar Cane farmers' leader and **Member of Parliament Raju Shetty** has condemned the monopsonic buying of sugar cane by the rich co-op sugar factories run by politicians in Maharashtra. His party Swabhimani Shetkari Sanghtna has threatened to intensify stir. The response of the BJP run Government was not that of intervening and suggesting rise in Fair Remunerative Price of sugarcane. On the contrary the State unit of BJP charged MP Raju Shetty that he is pressurizing the Chief Minister Devendra Phadnavis to give a ministerial berth to Swabhimani Shetkari Sanghtna leader Sada Khot[5]. The charge is a political move but the fact is clear that the cultivation cost of sugarcane is around Rs.4000 per ton (post 2010), the farmers are being offered the price between Rs.1900 and Rs.2600 per ton. The ruling Bharatiya Janata Party Monopsonic Exploitation of farm producers by Grain Lobby, Edible oil lobby [6] and Sugar Mills has ruined the Indian farmers. The fight against monopsonic exploitation of farmers was kick-started by Sharad Joshi in 1978. Mahenndra Singh Tikait and Raju. Shetty jumped in to the band wagon in 1990 and 2000

Rural marketing is not just buying the farm produce. It is also about selling fertilizers, seeds, irrigation technologies like drip irrigation tractors, farming equipment etc. plus rural marketing is buying from farmers the oil seeds, paddy, cereals, pulses etc. While farmers have to buy inputs from monopolists, they have to sell their output to monopsonists. On both sides the farmers face the imperfect competition. The farmers face Oligopoly when they buy fertilizers, seeds and farm equipment. They face Monopsony when they sell farm produce.

The Competition Act 2002

According to section 2 (l) viii of the Competition Act 2002 a registered co-op society comes within the ambit of Competition Act and as such all sugar co-op factories also come under the legal ambit of Competition Act 2002. Any cartel formed by Co-op sugar mills and thereby deciding the sale price of sugar or purchase price of sugarcane must be illegal. The department of agriculture and the department of co-operation must investigate whether Sakhar Sangh is engaging in such practice of deciding sale or purchase price for member units. Edible oil Mills also have their own cartel and through this oil cartel the purchase price of soya bean seeds is manipulated in a big way. Farmers in Maharashtra have changed their crop pattern by shifting to soya bean farming, as a cash crop. The fate of soyabean growers totally depends on the manipulations of edible oil lobby.

In the matter of purchase of grains (wheat) by Atta mills the malpractices are myriad. From illegal purchase of wheat allotted for public distribution to suppressing wheat purchase price in mandis the Atta Mill lobby does everything, every year the wheat prices fall at the harvesting and rise later in the lean period. Price manipulation is the main culprit due to which farmers are killing themselves.

Agricultural Marketing Produce Committees's (APMCs) were basically to give fair remunerative price to farm produce of agriculturists and to stop their exploitation by market manipulation but in actual practice all APMCs are captured by big grain traders known as "adtiyas" who do the cartelization at every harvesting season to suppress prices to such a low level that farmers do not get remunerative price. In agricultural sector the market has been monopsonic for last four centuries. During the British era the Royal Commission on Agriculture had noted how the farmers in rural India get exploited by various means at the hands of consigners while selling their farm produce. The trend continues even in 2015.

Globalization of Corporatism

Of the many trends in globalization, the crucial one today is corporate globalism. Today's world is a world driven by and for corporate profits. .It is based on corporate greed rather than human need. It's a world marked by the collapse of restraint on corporate power, in every continent. The corporate gigantism is enslaving nation after nation. The mergers, acquisitions and amalgamations are taking place unabated. The regulatory bodies like Competition Commission are unable to stop mergers and acquisition. The dominating power of corporates is rising against the small farmer who is also a small consumer. Daiichi Sankyo with turnover Rs.11, 326.32 crores acquires Ranbaxy with turnover Rs 12 410.43 crores sand merges with Sun Pharma having turnover of Rs.15, 108.79 crores. The Gigantism is allowed by the Government whose basic duty is to stop monopoly power of corporate.

The income gap between the top 20 per cent of the world's population and the bottom fifth has more than doubled. By 1998, the top 20 per cent consumed 86 per cent of all goods and services. The bottom fifth made do with 1.3 per cent. The world's richest 200 people, according to the 1999 Human Development Report, 'more than doubled their net worth in the four years to 1998, to over $ 1 trillion. The assets of the top three billionaires are more than the combined GNP of all least developed countries and their 600 million people together.' By 2003, that position had worsened. To the point that the Fund and Bank are making bleats of caution (if not of remorse).

Conclusion

Social inclusion in India just cannot happen since the process of social exclusion hasn't reversed. Rural Marketing will continue to exploit framers because the Government has no political will. The present Government in the centre and also in the state are rightist Governments therefore farmers, farmer labour and industrial workers cannot expect any thing better. Than they have today.

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