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**A STEP TO FURTHER PRIVATE AND CORPORATE INTERESTS IN
AGRICULTURAL LAND IN KARNATAKA**



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POLICY BRIEF

A STEP TO FURTHER PRIVATE AND CORPORATE INTERESTS IN AGRICULTURAL LAND IN KARNATAKA

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INTRODUCTION

The Covid-19 pandemic it appears, has presented governments both at the centre and the states, with a unique opportunity to pass legislations on contentious issues without deliberation and without the risk of incurring widespread protests. The present government at the Centre has used the pandemic to introduce important changes in the agricultural sector that opens up agricultural markets to large companies and corporate capital.

The Karnataka government has followed in the footsteps of the Central government with its promulgation of the Karnataka Land Reforms (Amendment) Ordinance, 2020 (henceforth the Karnataka Land Ordinance) on July 13, 2020. This Ordinance seeks to further ease corporate and private interests in agricultural land, and could potentially alienate small and marginal farmers in unirrigated areas from their land and livelihoods. The Bill was passed, amidst widespread protests, by the Karnataka Assembly on September 26, although it was pending in the Legislative Council. On December 8, the Bill was passed in the Legislative Council.

Changing Contours of Land Reforms Legislation

There are three major changes that the Karnataka Land Ordinance introduces. Changes in Section 63 (The Karnataka Land Reforms Act 1961) doubles the existing land ceiling from 10 units (for a family of five) to 20; for larger families the limit is now 40 units. A unit of land translates to one acre of Class A (irrigated double cropped) land. For Class D land, the new ceiling translates to 108 to 216 acres. However, this amendment was not carried forward in the Bill that was tabled in the Assembly. In the Bill that was passed by the Karnataka Legislative Assembly in September and Legislative Council in December, the land ceiling of 10 units has been retained.

The second major change in the Ordinance relates to restrictions on entities that can own agricultural land. The pre-existing Act prohibited persons with regular sources of non-agricultural incomes above a certain limit, and entities other than cultivators such as trusts, companies, associations, cooperative societies other than cooperative farms, to own, lease or mortgage agricultural land. With the omission of Sections 79A and 79B in the amendment, these restrictions now stand removed.

The third major change relates to amendments in Section 80 that previously barred agricultural land from being transferred to non-agriculturists. The present law only imposes restrictions on land transfers of Class A land to any person or entity ‘who does not use it for agricultural purposes’.

Karnataka is one of the few States in India to have adopted and implemented some progressive land reforms measures under the aegis of a centrist government in the 1970s. In 1974, the Devraj Urs government introduced sweeping and progressive changes in the Karnataka Land Reforms Act, 1961, which reduced ceiling limits, abolished tenancy, assigned land titles to tenant cultivators, and restricted the transfer of agricultural land to non-agricultural classes (Thimmaiah and Aziz, 1983). However, with the advent of neo-liberal policies in the early 1990s, several of these legislations were reversed through successive amendments. The reason cited in defence of each of these roll backs was invariably to promote growth and investment in agriculture in a changed, neo-liberal policy climate.

As a matter of fact, the first of the amendments that were introduced since 1991 were precisely related to the now abolished sections 79A, 79B and 80. These sections were repeatedly amended to allow non-agricultural interest groups to purchase and convert agricultural land. For example, the limit on income from non-agricultural sources for any person eligible to purchase agricultural land was increased from Rs. 12,000 to Rs. 50,000 in 1991, to Rs. 2 lakhs in 1995 and then to Rs. 25 lakhs in 2015. Exemptions were granted to the Karnataka Housing Board and other such authorities for acquiring agricultural land under sections 79A, 79B, and 80 in 1991; and educational institutes were exempted in 1992. More amendments were made in 1995 for allowing the housing industry to acquire land in the State.

Agri-businesses gained much policy focus in Karnataka since the 1990s, and land reform laws were amended to allow agri-businesses to acquire land in the State. In 1995 and 1996, the law was amended to allow industries based on aquaculture, floriculture and horticulture to obtain land easily through purchase or lease. A new section 109 was enacted in 1996 for this purpose.

The current amendments in the Karnataka Land Reforms Act are thus a continuation and expansion of the scope of the changes in the Act that have taken place since early 1990s, and reflects the policy direction the State has taken to commercialise its agriculture and encourage private and corporate investments in agriculture.

The Policy Emphasis on Commercial Agriculture and Rising Corporate Interests

An export-oriented drive towards commercial cropping and promotion of horticulture crops has been a part of the State's policy priority since the 1990s. Commercial crops have always been an important part of the State's economy, and plantation crops such as coffee and cashew were traditionally grown and exported from Karnataka. Market liberalisation and globalisation opened up the state's agriculture for different agro-processing and agri-businesses including the processing and export of fruits, vegetables and flowers. It was assumed that horticultural crops would stabilise farm incomes at a time when prices and production of cereals, pulses and oilseeds showed wide fluctuations (Deshpande and Prachita 2005). Contract farming was introduced in Karnataka in the early 1990s. Private agri-business and food processing initiatives gained substantial support throughout the last decade through policies such as the Integrated Agribusiness Development Policy (2011) and Karnataka Agri-Business and Food Processing Policy (2015). Alongside providing infrastructural support by locating land and providing incentives for 'food parks', the policy also encouraged farmer-producer organisations to directly link with the processors, and offered several other incentives in the form of subsidies and tax exemptions.

The policy environment in Karnataka has been conducive to the rising engagement of private and corporate entities in the State's agriculture. The successes in contract farming and export of gherkins led to contract farming of various other horticultural crops such as baby corn, chillies, flowers and medicinal plants for international and domestic markets. Studies have documented that contract farming of horticultural crops have largely benefited farmers in terms of yields and incomes received (Erappa 2006). At present the value of horticultural products constitutes 32.45 per cent of agricultural income and 3.39 per cent of the GSDP in Karnataka (Economic Survey of Karnataka 2020). Agriculture and processed food, coffee, cashew and spices comprised 1.46 per cent of total value of exports from the State in 2018-19.[‡] With increased prospects in the retail sector, the entry of large retail chains and MNCs such as Big Basket and Amazon Fresh, corporate interests in the markets for flowers, fruits and vegetables have expanded further.

[‡] Figures obtained from Visvesaraya Trade Promotion Centre, Government of Karnataka <[https://vtpc.karnataka.gov.in/storage/pdf-files/Export%20performance%204%20years%20Karnataka%20\(4\).pdf](https://vtpc.karnataka.gov.in/storage/pdf-files/Export%20performance%204%20years%20Karnataka%20(4).pdf)> as on August 31, 2020.

Changes in Production, Income and Agrarian Relations in Karnataka

The policy direction towards commercialisation of agriculture has impacted both cropping patterns and land relations in Karnataka. There is increase in area and production of commercial crops, and increase in tenant cultivation by medium farmers.

Pulses, pigeon pea, maize, rice, sorghum and finger millet are the major crops grown in the State. Since the 1990s, there has been a substantial increase in area under pulses, maize, sunflower and sugarcane. There was also a large increase in area under horticultural crops, particularly fruits, vegetable and flowers (Ramakumar 2017, Kammardi et. Al. 2017). There was a substantial increase in irrigated area particularly after 2004-05 (Ramakumar 2017). Though the cropping pattern moved towards more commercial crops such as sugarcane and horticultural crops, the overall agricultural performance of the State remains poor. The per hectare value of agricultural production in Karnataka is below the national average (Ramakumar 2017, Bhalla and Singh 2010). In 2014-15, per hectare value added of agricultural production in Karnataka was Rs. 79,829, which was almost half of the national average of Rs. 1, 49,405. Productivity in horticultural sector in Karnataka, both in terms of production and value is also below the national average. In 2014-15, average yield of horticultural crops in India was 11.96 MT per ha, while that in Karnataka was 9.65 MT per ha. Net sown area under horticulture in Karnataka was 8.27 per cent of all India total, while its share in value of output of spices, fruits and vegetables, and floriculture was 6.2 per cent. Limitations in irrigation is a major factor for the below average performance of agriculture and horticultural production in the State. Only 28.9 per cent of net sown area in Karnataka is irrigated, much below the national average of 43.2 per cent.

Horticultural production is beneficial for farmers who cultivate these crops. According to the NSS Situation Assessment Survey of Agricultural Households 2013, per hectare gross value of output from horticultural crops was Rs.1, 06,360 per hectares, a little more than double that from other crops Rs 44,546 per hectares. Data from SAS does not indicate any clear differences in per hectare GVO from horticultural crops across size of landholdings. Thus, farmers of all land size groups benefit from horticultural production. In spite of such advantages, horticultural production is

geographically concentrated in inland eastern and coastal regions of the State.[§] These are the regions with higher levels of irrigation. The area under horticultural crops is a significant share of cropped area in only few districts – Kodagu (84.8 per cent) Dakkhina Kannada (73.5 per cent), Chickmagalur (45.2 per cent) Kolar (44.3 per cent), and Bangalore Urban (41.5 per cent). According to the Agricultural Census 2015, 12.8 per cent of the operated area of the state was under horticultural crops, and 4.9 per cent under sugar crops. The major part of the land in the State still remains under cereals and pulses. It is also of note that according to the NSS-SAS 2013, a higher proportion of medium and large farmers are engaged in horticulture than marginal and small farmers in all regions, except Coastal Karnataka.

Small and marginal holdings comprise 80 per cent of the total number of operational holdings and 43 per cent of the total operated area in the State (Agriculture Census, 2015). In recent years, there are some important changes taking place in terms of land ownership, operational land and lease markets in rural Karnataka. First, the incidence of tenancy has increased in the State 2002-03 to 2012-13. Total land leased-in as a proportion of all operated land has increased from 3.6 per cent to 6.9 per cent in the State (NSSO 2015). Second, relatively large farmers, with more than two hectares of owned land, are also increasingly leasing-in land. The distribution of total leased-in land from NSSO reports suggest that during 2002 to 2013 the share of relatively large farmers in total leased-land has increased from 16.8 per cent to 64.5 per cent. At the same time, the share of landless, small and marginal landowning farmers (those with less than two hectares) in the total leased-in land has declined. Third, the Agriculture Census data suggests that during 2015-16, almost 29 per cent of the total operated area in the state was operated by medium and large farmers (size-groups of more than 4 hectares/10 acres of land). The average size of the holdings for farmers from large size-class has increased during 2010-11 to 2015-16 from 14.18 hectares to 15.45 hectares, even though their share in the total operated area declined marginally. Therefore, a changing pattern has been emerging in the recent past, where farmers who already own a larger amount of land are increasingly participating in the lease market in order to increase the physical size of the farm to improve the economic size of the holdings.

[§] Shimoga, Hassan, Chikmagalur and Kodagu districts comprise the Inland Eastern Region and Uttara Kannada, Dakkhina Kannada and Udupi districts comprise the Coastal region of Karnataka.

Implications of the Amendments on Agrarian Relations

The Amendments pave the way for private companies and corporate entities to gain direct entry into agricultural land markets to introduce corporate farming. Changes in Sections 79A and 79B and Section 80 would allow companies to buy or lease agricultural land, and create sufficiently large corporate farms to fulfil supply needs for retail chains and agro-processing industries. Given the progressive relaxation of land ceilings and restrictions on land ownership in the State since 1990s, regulations can be further relaxed in future if corporate farming is established and shows promise. This is in line with the agricultural policies of the Karnataka government since the early 1990s which has emphasised the need to promote horticultural production and agro-processing industries. Our analysis in the previous section flagged some of the limitations of horticultural and agricultural production in Karnataka. Entry of private and corporate entities can only boost agricultural development in few districts and benefit a small section of farmers. It cannot resolve the larger issues of low agricultural production and productivity which would require concerted investments in research and technological innovation in dryland farming.

Integration of agricultural supply chains by means of corporate farming has the potential of driving out individual farmers, particularly small and marginal farmers, from the production of high value crops and alienate them from their land.

Further, the dilution of Section 80 paves the way for conversion of unirrigated agricultural land to other uses. This may lead to the alienation of land among dryland farmers. Industrial bodies have hailed this amendment as this will significantly reduce hurdles for them to purchase agricultural land for non-agricultural purposes. (Kumar 2020).

Higher ceilings provide an opportunity for relatively large farmers to increase their land holdings through purchase. As mentioned earlier, a higher proportion of medium and large farmers are engaged in horticultural production and there is increased activity of medium farmers in land-lease markets. Further expansion of the markets for fresh fruits and vegetables with the entry of large retail chains and MNCs provides fresh incentives for rich farmers to scale-up horticultural production and secure contracts from these companies. The increased participation by relatively large farmers in land markets would eventually increase the land price and rent for leased land and discourage the participation of small and marginal farmers in the land markets in rural Karnataka.

CONCLUSION

When the Karnataka land amendments are seen in conjunction with amendments in the State's APMC (Amendment) Ordinance, which was also passed during the pandemic on May 15, 2020, it becomes clear that the government is trying to create a larger space for private companies and corporates in the State's agriculture. The APMC amendment ordinance allows farmers to sell directly to private companies and individuals without the intervention of APMCs. The two amendments together will give a substantial boost to the corporate interests in agriculture in Karnataka.

By narrowly focussing on a policy of corporatisation of agriculture, and easing restrictions on conversion of unirrigated agricultural land to other uses, the government of Karnataka is abdicating its responsibility towards small and marginal farmers who depend on unirrigated agriculture for their livelihoods and who constitute the majority of farmers in Karnataka. Given the past record, such a myopic perspective will neither modernise farming in large parts of the State, nor benefit the majority of farmers.

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*APPENDIX TABLES*Table 1 *Area and production of horticultural crops in Karnataka, 2017-18*

	Area ('000 ha)	Production ('000 MT)	Yield (MT/ha)
Karnataka	2123.44	20496.86	9.65
India	25661.74	306817.71	11.96

Source: Agricultural Statistics at a Glance, 2018

Table 2 *Gross value added in agriculture (in 2011-12 prices) and Net Sown Area, India and Karnataka, 2014-15*

	India	Karnataka
GVA Rs million	2,09,36,120	8,01,799
NSA million ha	140	10
GVA/ha	1,49,405	79,829

Source: Agricultural Statistics at a Glance, 2018

Table 3 *Value of output, specific horticultural produce, India and Karnataka, 2014-15 (Rs. Lakhs) in 2011-12 prices*

Items	India	Karnataka
Spices & condiments	52,99,166	6,96,296
Fruits & vegetables	3,09,90,806	13,80,562
Floriculture	17,00,283	2,60,960
All	3,79,90,255	23,37,818

Source: State-wise and Item-wise Estimates of Value of Output from Agriculture and Allied Sectors, 2018, CSO

Table 4 *Area under horticultural crops, by region, by size of operational holdings, in hectares and in per cent, Karnataka 2013*

Land size	Coastal		Inland Eastern		Inland Southern		Inland Northern		Total	
	Area in ha	As % of NSA	Area in ha	As % of NSA	Area in ha	As % of NSA	Area in ha	As % of NSA	Area in ha	As % of NSA
< 1 ha	52019	60.0	48034	23.8	54532	10.1	54075.7	9.7	208660	15.1
1-2 ha	44166	49.3	117890	57.2	102901	22.4	30367.4	4.0	295323	19.5
2-5 ha	13484	32.0	245795	70.5	63258	23.6	35668.8	2.3	358206	16.1
5-10 ha	11873	82.0	3162	61.0	5731	23.0	81499.9	6.6	102266	8.0
>10 ha	955	66.7	21692	69.7	11574	41.7	38065.3	5.3	72286	9.4
All	122497	52.3	436572	55.1	237996	18.0	239677.0	5.0	1036742	14.4

Source: Computed from unit level data, NSS Situation Assessment Survey of Agricultural Households 2013

Table 5 *Estimated number of households cultivating horticultural crops, by region, by size class of operational holdings, in numbers and per cent, Karnataka 2013*

Land size	Coastal		Inland Eastern		Inland Southern		Inland Northern		Karnataka	
	No. of hhs	As % of all hhs	No. of hhs	As % of all hhs	No. of hhs	As % of all hhs	No. of hhs	As % of all hhs	No. of hhs	As % of all hhs
< 1 ha	277670	82.7	128132	28.0	171524	14.0	77657	8.0	654983	21.9
1-2 ha	80899	81.9	137823	66.9	146145	31.4	31536	4.9	396403	28.1
2-5 ha	21408	73.3	142651	81.8	72463	42.8	39475	5.6	275997	25.6
5-10 ha	3540	67.1	2094	89.0	5063	52.0	32104	13.2	42801	16.5
>10 ha	236	100.0	2162	26.0	2288	100.0	14212	15.8	18898	18.7
All	383753	81.8	412862	48.6	397483	21.3	194984	7.4	1389082	23.8

Source: Computed from unit level data, NSS Situation Assessment Survey of Agricultural Households 2013. Note: Hh refers to Households here.

Table 6 *GVO per Hectares for Horticultural Crops and Other Crops, By Class and Region, in Rs., Karnataka, 2012-13*

Class/ Region	Coastal		Inland Eastern		Inland Southern		Inland Northern		Karnataka	
	Horticulture	Other Crops	Horticulture	Other Crops	Horticulture	Other Crops	Horticulture	Other Crops	Horticulture	Other Crops
<1ha	112843.8	40856.1	164779.8	46391.6	147803.9	36911.9	62320.1	65469.2	120842.5	50462.7
1-2ha	113436.4	31437.7	111375.3	30715.8	118463.9	40089.5	85947.46	43272.7	111538.8	40991.0
2-4ha	129038.1	38518.3	89342.85	36706.8	143538.6	57096.4	210520.3	57106.4	112474.3	55700.4
4-10ha	235824.3	24471.6	82228	32304.6	97010.71	41148.5	11312.9	32560.0	44374.31	32681.7
>10ha	191023.6	43901.9	94321.6	28050.3	286076	91461.1	45894.78	29517.8	100799.9	30941.7
All	127369.7	36063.1	103788.2	39151.6	139485.7	42677.1	67415.73	45610.5	106360.5	44545.6

Source: Computed from unit level data, NSS Situation Assessment Survey of Agricultural Households 2013