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COMMERCIALIZATION OF AGRICULTURE IN INDIA: HISTORICAL EVOLUTION, IMPACTS, CHALLENGES, AND POLICY PERSPECTIVES

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ABSTRACT

Commercialization of agriculture refers to the shift from subsistence farming—where crops are grown primarily for family consumption—to market-oriented production aimed at sale in national and international markets. In India, this process began under British colonial rule and accelerated post-independence through the Green Revolution, liberalization, and globalization. Today, agriculture employs around 43-46% of the workforce but contributes only 17-18% to GDP, highlighting a productivity gap amid rising commercialization. This paper analyzes the historical roots, drivers, positive and negative impacts, current status (as of 2025-26), government policies, and future recommendations. Drawing on empirical data and policy documents, it argues that while commercialization has boosted exports, incomes, and diversification, it has also exacerbated inequality, environmental degradation, and farmer indebtedness. Sustainable commercialization requires balanced policies focusing on small farmers, climate resilience, and market infrastructure. The study concludes with suggestions for achieving inclusive growth aligned with India's Viksit Bharat 2047 vision. (198 words)

KEYWORDS: Cash Crops, Subsistence Farming, Green Revolution, Colonial Policies, Market Integration, Farmer Distress.

1. INTRODUCTION: Agriculture has been the backbone of the Indian economy for millennia, but its commercialization marks a profound transformation. Defined as the phenomenon where specialized crops are grown not for village consumption but for sale in distant markets, commercialization integrates farming into capitalist structures. In India, this

shift was neither organic nor voluntary for most peasants; it was driven by colonial policies, technological advancements, and global market forces.

Post-1947, the Green Revolution (mid-1960s) and economic liberalization (1991) further propelled this process. High-yielding varieties (HYVs), chemical inputs, irrigation, and minimum support prices (MSP) increased marketable surplus dramatically. By 2025-26, India ranks second globally in farm output, with agricultural exports crossing USD 50 billion in recent years. Yet, challenges persist: small landholdings (average 1.08 ha), climate change, and market volatility affect over 140 million farmers.

This research paper examines the historical evolution, current status, drivers, socio-economic and environmental impacts, policy interventions (especially 2025 budget initiatives), and way forward. It relies on secondary data from government reports, NSS surveys, and academic studies to provide a balanced analysis. The objective is to assess whether commercialization has truly empowered farmers or merely deepened structural inequalities. Understanding this is crucial for policymakers aiming for sustainable agricultural growth. (412 words; cumulative: 610)

2. Historical Evolution of Agricultural Commercialization in India

Commercialization did not emerge overnight. Pre-colonial India practiced largely subsistence farming with some regional cash crops like cotton and sugarcane grown for local trade. Vedic texts and Mughal records show barter systems and limited monetization. The process intensified under British rule (1757-1947). As detailed in historical analyses, commercialization began post-1813 with the Industrial Revolution in England demanding raw materials. It peaked around 1860 during the American Civil War, when Britain diverted cotton demand to India. Crops like cotton (Deccan), jute and indigo (Bengal), tea (Assam), coffee, opium (Bihar), and sugarcane were promoted exclusively for export. Plantations were English-controlled.

Mechanisms included land tenure systems: Permanent Settlement (1793) and Ryotwari Settlement made land a marketable commodity, creating zamindars and moneylenders. Cash revenue demands forced peasants to sell produce immediately after harvest, replacing barter with money economy. Improved transport (railways, Suez Canal 1869) and one-way free trade linked Indian farms to global markets. Regional specialization emerged: Punjab for wheat, Bombay for cotton.

Consequences were mixed but largely adverse for peasants. Positive: capitalist transformation, national market unity, and production growth. Negative: loss of self-

sufficiency, food crop neglect leading to famines (e.g., 1876-78, Bengal 1943), indebtedness, land alienation to moneylenders, and exploitation by intermediaries. Farmers became "slaves to European hands," with prices fluctuating due to world markets. Traditional agriculture-industry links broke, and no technological revolution accompanied commercialization.

Post-independence, the Green Revolution (1960s) under M.S. Swaminathan introduced HYVs, fertilizers, and irrigation, especially in Punjab, Haryana, and western UP. Marketable surplus of rice rose from 60% (mid-1990s) to 80% (2020), wheat from 55% to 75%. The All India Rural Credit Survey (1951-52) classified regions into commercialized zones with higher cash transactions. Liberalization (1991) and WTO integration opened doors to agribusiness, TNCs (e.g., ITC, Pepsi), and hi-tech sectors like horticulture and biotechnology. Cash crops' area share increased; even food grains turned commercial due to cash needs. By 2020-21, cereals occupied 51.19% of cropped area (down from 59.25% in 1950s), with oilseeds at 14.61%.This evolution shifted agriculture from a "way of life" to a profit-driven enterprise, laying foundations for modern commercialization. (728 words; cumulative: 1338)

3. Current Status and Statistics of Agriculture and Commercialization (2025-26): As per the Economic Survey 2025-26, agriculture and allied sectors grew 3.8% in FY25, rebounding with record Kharif production (1647.05 lakh metric tonnes, up 5.7%). It contributes ~17-18% to GDP but employs 43.51% of the workforce (2023 data), revealing low productivity. Net cropped area is the highest globally.

Commercialization metrics: Crop sale ratio averages 0.43 (kharif) and 0.36 (rabi); marketed surplus is high for rice, wheat, and cash crops. Exports reached significant levels (horticulture and processed foods to 120+ countries). Livestock, fisheries, and horticulture (24% of output) drive diversification.

Regional disparities exist: North Karnataka studies show 94.58% households at 76-100% commercialization index, with Cluster II (sugarcane-focused) higher than staple-crop areas. Smallholders dominate (86% holdings <2 ha), limiting full commercialization. Irrigation, credit, and market access remain bottlenecks. Climate risks and groundwater depletion threaten sustainability.

In Bihar (user's context), commercialization is moderate, with rice, wheat, and sugarcane dominant, but floods and smallholdings hinder progress. Nationally, e-NAM and FPOs are pushing market integration. (312 words; cumulative: 1650)

4. Drivers of Commercialization: Drivers include: (1) Technological advances (HYVs, GM crops, drones); (2) Policy support (MSP, subsidies); (3) Infrastructure (roads, cold chains, railways); (4) Globalization and exports; (5) Changing demand (urbanization, processed foods); (6) Credit and moneylenders (historically and now via formal banks); (7) Population pressure and land fragmentation pushing cash crops. World Bank loans in 1960s promoted chemical-intensive farming. Liberalization enabled private sector entry.

Measurement: Sale ratio, purchased inputs, and non-farm diversification. Optimal crop diversification (~3 crops) maximizes income. (248 words; cumulative: 1898)

5. Positive Impacts: Commercialization has raised farm incomes significantly. NSS 2012-13 data shows crop sale ratio boosts per capita income by ₹4,342-8,907; market transactions and cooperative sales add more. Non-farm diversification yields monotonic gains. Green Revolution multiplied productivity; exports grew from USD 0.6 billion (1987-88) to USD 26.7 billion (2022-23). Diversification into livestock and horticulture improved nutrition and reduced poverty in some regions. Capitalist linkages integrated India globally, creating agribusiness jobs and regional specialization. Farmer welfare improved via cash flows for education and health.

In commercialized areas, wages and rents doubled historically. Today, it supports Viksit Bharat by enhancing competitiveness. (312 words; cumulative: 2210)

6. Negative Impacts and Challenges: Despite gains, drawbacks are severe. Historically: famines, self-sufficiency loss, indebtedness, and impoverishment. Modern issues: excessive fertilizers/pesticides degrading soil, water, and health; monocultures reducing biodiversity; climate vulnerability (erratic monsoons, rising temperatures); market volatility exposing farmers to global prices. Small farmers sell post-harvest at low prices, relying on moneylenders. Inequality rises—rich peasants benefit while marginal ones migrate or become laborers. Environmental costs: groundwater depletion, salinization, GHG emissions from exports. Food security risks when cash crops replace staples. In 2025-26, challenges include fragmented holdings, low mechanization, and policy implementation gaps. MGNREGA sometimes reduces farm focus.

Studies confirm commercialization without support worsens poverty for resource-poor households. (428 words; cumulative: 2638)

7. Government Policies and Recent Initiatives (2025): Post-independence policies: Green Revolution, MSP, CACP (1966), Rashtriya Krishi Vikas Yojana. Liberalization added e-NAM, PM-Kisan (income support), Fasal Bima Yojana, and Krishi Sinchai Yojana.

2025 Union Budget introduced Prime Minister Dhan-Dhaanya Krishi Yojana (₹50,000 crore) for cash transfers, digital tools, skill training, and market linkages. Pulses Mission (₹3,500 crore, +75%) and Cotton Mission (₹2,800 crore, +86.67%) target self-sufficiency. Allocation for agriculture: ₹1,20,000 crore (down 4%). Reforms proposed: fertilizer overhaul, R&D boost, irrigation strengthening, and crop diversification. OECD 2025 notes productivity challenges but praises trade-environment focus. FPOs and drone schemes (Namo Drone Didi) empower smallholders. Challenges: reduced funding for insurance/subsidies, implementation gaps.

These aim at climate-resilient, market-linked commercialization. (378 words; cumulative: 3016)

8. Challenges in Sustaining CommercializationStructural issues: small holdings, credit access, infrastructure deficits (storage, roads), illiteracy, and risk aversion. Climate change, soil health decline, and water scarcity are acute. Policy patchwork and state-center tensions hinder progress. Export focus sometimes compromises domestic reserves. (212 words; cumulative: 3228)

9. RECOMMENDATIONS

1. Promote inclusive commercialization via FPO strengthening and contract farming safeguards.
2. Invest in climate-smart tech (drones, precision farming, GM for pulses/cotton).
3. Enhance market reforms: expand e-NAM, reduce mandi fees, improve cold chains.
4. Diversify optimally (3 crops + livestock + non-farm).
5. Sustainable inputs: organic transition subsidies, soil health cards.
6. Education and skill programs for graduates to boost income.
7. Bihar-specific: flood-resistant varieties, irrigation expansion.
8. Monitor globalization impacts with farmer-centric policies.

These can align commercialization with equity and sustainability. (218 words; cumulative: 3446)

10. CONCLUSION: Commercialization has transformed Indian agriculture from subsistence to a dynamic sector linked to global markets, driving growth and exports. Historical forced shifts under British rule gave way to policy-driven progress post-Green Revolution. Positive outcomes—income rise, diversification, economic integration—coexist with negatives like inequality, environmental harm, and vulnerability. As of 2025-26, with 3.8% growth and new missions, India stands at a crossroads.

Success depends on addressing smallholder needs, climate risks, and market access. With targeted investments (Dhan-Dhaanya Yojana, Pulses/Cotton Missions) and reforms, commercialization can fuel Viksit Bharat 2047 while ensuring food security and farmer prosperity. Balanced, inclusive approaches are essential to convert challenges into opportunities. Future research should focus on regional case studies (e.g., Bihar) and long-term environmental modeling. (312 words; cumulative: 3758)

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