THE COMMERCIALIZATION OF AGRICULTURE

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INTRODUCTION

The market is a familiar institution. We live in a commercialised economy. People work and earn, or produce and sell, because they get money with which they can buy what they want on the market. All sorts of things can be bought on the market-from little things like cigarettes or sweets to expensive things like houses or land. There are even markets for labour- for example, the employment exchanges that are run by the Government are a sort of labour market. But private labour markets also exist.

INTRODUCTION

Markets have not always existed. In fact, they are relatively new in human society. Many societies have organised production, distribution and consumption without resorting to buying and selling without the presence of money and markets. Gradually, however different things begin to be bought and sold, and thus markets develop. This is the process of commercialisation. In a society that is undergoing commercialisation, certain things may begin to be sold before others- for example, forest tribes may begin selling wood or honey and buying salt and iron even when other things are not bought or sold by them.

THE RANGE OF COMMERCIALISATION

In the same way, when agriculture is commercialised, several different markets may come into operation at different times. We shall try and make a rough list of these markets:

i) Product markets – various agricultural products, such as wheat or rice or wool or ghee begin to be sold:

ii) Input markets – things needed for agricultural production such as tools, seeds fertilizers, bullocks, begin to be sold;

iii) Labour markets-when workers begin to be hired for money;

iv) Land markets-when farmers begin to buy and sell the land, or hire it for money;

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v) Market for money itself-as commercialisation develops; the cultivators are often in need of money, to pay taxes or rents in cash, to buy seed or bullocks, or even to feed themselves and their families. A market in loans grows up, and the ‘price of the loan is, of course, the interest that the borrower must pay.

Many other kinds of markets exist in a developed market economy, but we do not need to consider them.

Thus there are many kinds of markets, and some markets can function even where others do not exist. For example, villagers may begin

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selling their surplus wheat or cotton even at a time when land is held on the basis of traditional customs and cannot be sold at all. Again, it is quite possible for some of the crop to be sold while another part is disposed of in customary, non-market ways-for example given to the village priest or carpenter or smith. So commercialisation is a slow process, not a sudden or dramatic event.

COMMERCIALISATION BEFORE THE BRITISH

Markets have been known in India from ancient times, and agricultural products were bought and sold in them. In the Mughal Empire a large part of the land tax was collected in money from the cultivators, and this obviously meant that they were selling their products for money in order to pay the taxes. It has been estimated that this involved selling about 50 per cent of the agricultural produce. So virtually everyone was involved in exchange as a producer or consumer,

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usually specialized money-lenders and brokers were to be found, and there is even evidence that some kinds of rights in land *(zamindari rights)* were bought and sold.

The Mughal Empire broke up in the 18th century, and was succeeded by various regional kingdoms. They sometimes collected lower taxes than the Mughals had done, but they also collected mainly in cash which indicates that the commercial system continued to exist.

COMMERCIALISATION UNDER THE BRITISH

Among the new powers that took advantage of the decline of the Mughals was the **British East India Company**. It acquired territories in South India, and also the rich provinces of Bengal, Bihar and coastal Orissa in the East. These areas possessed a rich agriculture as also flourishing trade and handicrafts, and the Company as well as its servants and employees planned to enrich themselves through this conquest. It is the methods adopted by them that gave the commercialisation under their control its distinctive characteristics.

COMMERCIALISATION UNDER THE BRITISH

In order to understand this we have to look at the nature of this new ruling power. It was a trading company based in Britain, which had been granted a monopoly of the Eastern trade by the British Government. Its aims and objectives would therefore be different from those of an Indian ruler, or even a raider like Nadir Shah.

THE COMPANY'S AIMS

The Company was mainly concerned with acquiring Indian goods for sale in Europe. Since there was little demand for British goods in India at that time, the Company had to bring gold and silver bullion to India to pay for its purchases. After the conquest of Bengal it hoped that is would no longer have to import this bullion into India: instead, it would collect taxes from its Indian subjects and use the surplus over its local expenditures to buy goods that would be exported to Europe. Then there would be no need to send out gold and silver from Britain. Under such an arrangement India would, in a roundabout way pay a tribute to the Company in the form of goods to be sold in Europe. The Company would use its political power to make commercial profits for itself.

IMPLICATIONS OF THESE AIMS

For this aim to be realised the Company had to manage to do two things.
i) It must collect taxes so as to yield enough not only to pay its military and administrative expenses in India, but also to provide a surplus for the finance of its trade; and
ii) India should produce at low prices goods for which there was a demand in West so that the surplus revenues could be remitted in the form of these goods.

IMPLICATIONS OF THESE AIMS

No sooner had the company acquired the *Diwani* (revenue control) of Bengal in 1765 than the Directors in London wrote to their employees in India to 'enlarge every channel for conveying to us as early as possible the annual produce of our acquisitions' and to' increase the investment of your company to the utmost extent that you can (The term 'investment' referred to the money spent in buying goods for export to Europe.) more than twenty

IMPLICATIONS OF THESE AIMS

years later, the Governor General, Lord Cornwallis, had the same aims. The values of Bengal to the British, he stated, depended 'on the continuance of its ability to furnish a large annual investment to Europe'.

We know about the policy of high taxation with land revenue systems, so we shall now concentrate on the second of our two points: that India should produce exportable goods for the 'investment'.

EFFECTS OF THE EXPORT TRADE ON AGRICULTURE

When Indian rulers collected taxes, most of the money was spent within the locality or region, and so agriculture was little affected by foreign demand. Indian exports of handicraft and other goods more than covered imports from outside the country. Initially the British also concentrated on exporting Indian manufactures, like textiles, to the West. But a dangerous rival to Indian textiles appeared in the later 18th century, as a cotton mill industry grew up in Britain. These mills found it difficult to compete with the Indian products and by the 1780s they launched an agitation, claiming that the East India Company was injuring them by its import of Indian fabrics.

EFFECTS OF THE EXPORT TRADE ON AGRICULTURE

The company realised that it needed to promote other lines of export from India, agricultural products were a safe line. They could not compete with British products, and might serve as raw materials for British industry. This strategy had been followed in the case of silk from the 1770s, but with the development of British industry this trend grew stronger. Furthermore, by the 1780s an indirect method of remitting the Indian tribute via China had begun to take shape. The British imported large quantities of tea from China, and had to pay for it in silver as the Chinese did not want Western goods.

EFFECTS OF THE EXPORT TRADE ON AGRICULTURE

However, the Chinese bought Indian products like ivory, raw cotton and (later on) opium. If the British controlled this trade, then they would not need to send silver to China-the tea could be got in exchange for Indian products that the British acquired in India. This system became known as **'triangular trade'**, with the three points being Calcutta, Canton, and London. Wealth circulated through the first but gathered in the Company's treasury in the third.

So, to conclude, The East India Company was interested in producing a controlled commercialisation of agriculture in order to provide commodities for either the Chinese or the Western market.

SELECTION OF COMMERCIAL CROPS

The crops on which the company concentrated were **indigo, cotton, raw silk, opium, pepper,** and, in the 19th century, also **tea and sugar**. Of these, raw silk was used by British weavers; it could not be produced in Britain. The same was true of cotton, and it could also be sold to the Chinese. Opium, of course, was smuggled into china despite the Chinese prohibitions on its import. Indigo was a textile dye needed in the West. Tea cultivation was introduced in Assam from the 1840s so that Britain could control its supply, and did not have to depend on China for it. None of these things we may note competed with or replaced any British product. All of them also had another characteristic in common; they were all valuable in

SELECTION OF COMMERCIAL CROPS

relation to their bulk, which is to say that their price per kilogram or per cubic meter was high.

At this time, we must remember, all goods went over land in carts pulled by horses or bullocks, and over the sea in sailing ships. It took four months or more for a ship to sail from India to Europe, and the ships carried far less than modern cargo vessels. So the cost of transport was high. Now, if cheap, bulky goods had been carried they would have become very expensive after the shipping cost had been paid. This would make them unprofitable for the Company to trade in, so it was necessary for the products to be profitable in relation to their weight, so that the transport costs did not eat up the profits.