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# UNIT 16 THE COMMERCIALISATION OF AGRICULTURE

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## 16.0 OBJECTIVES

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This Unit analyses the commercialisation of agriculture in India during the early phases of British rule--that is, up to the middle of the 19th century. The process of commercialisation that began under the British had far-reaching effects on Indian life, and many of the problems that arose then, are still with us today. After studying this Unit, you will learn about:

- the meaning of the term 'commercialisation';
- the extent of commercialisation before the British conquest;
- the changes that occurred with the introduction of British rule;
- the different ways in which the new commercial agriculture was organised; and
- the effects of this process on the Indian economy, and on the Indian farmers.

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## 16.1 INTRODUCTION

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The market is a familiar institution for all of us. You must have frequently gone to a market to make purchases, or sometimes to sell things. This is because 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: I am sure that you can think of places where you would go if you needed to hire a carpenter or a cook.

Now, in a commercialised, or (what is the same thing) a market economy, economic activities are regulated by the market. What does this statement mean? It only means that people try to buy as cheaply, and to sell as dearly as they can. It also means that they will produce more if prices are high, and less if they are low. Workers will try and leave localities and jobs where they earn little and try and go where the pay is good. People coming into a city will search for areas where they can buy or rent a house cheaply. In all these ways, economic actions are being directed by market prices. In this Unit we will introduce you to the process of commercialisation of Indian agriculture under the British rule and its effect on Indian economy and society.

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## 16.2 THE RANGE OF COMMERCIALISATION

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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.

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, fertilisers, 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;
- 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 we have seen that there are many kinds of markets, and some markets can function even where others do not exist. For example, villagers may begin 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.

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## 16.3 COMMERCIALISATION BEFORE THE BRITISH

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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, usually

both. Specialized merchants, 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 (as you have seen in Block I). 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.

## 16.4 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.

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.

### 16.4.1 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 it 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. You can see that 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.

### 16.4.2 Implications of These Aims

Now, you will see that 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 the West, so that the surplus revenues could be remitted in the form of these goods.

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

The policy of high taxation has been discussed in Unit 15, dealing 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'.

### 16.4.3 Effect of the Export Trade on Agriculture

When Indian rulers collected tax, 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 in the 1780s they launched an agitation, claiming that the East India Company was injuring them by its import of Indian fabrics.

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. 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 two 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.

### 16.4.4 The Selection of the 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 relation to their bulk, which is to say that their price per kilogram or per cubic metre 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.

#### Check Your Progress I

- 1) Have markets always existed?

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- 2) Why did the English Company plan for commercialisation of Indian agriculture?  
Answer in 50 words.

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## 16.5 THE COMMERCIAL CROPS

Now we will discuss some crops which had great commercial prospects.

### 16.5.1 Raw Silk

The Company was interested in this product almost from the beginning of its rule. In 1770 the Directors wrote from London that Bengal silk, if properly made, could replace the Italian and Spanish silk that the British weavers were then using. So experts were brought in to improve the methods of silk making in India, and to set up workshops (called 'filatures') where the cocoons were spun into silk thread for export. The company through its agents and officials also coerced the growers of the mulberry trees (on whose leaves the silk-worms feed) and the workers in the **filatures**, so as to keep the price of silk low, so as to allow the contractors to make large profits. Silk remained an important export until the last decades of the 19th century.

### 16.5.2 Opium

We have already seen that the British found it difficult to pay for the tea that they imported from China. However, they soon hit upon the device of selling the Chinese opium. Opium is an addictive drug, like nicotine and alcohol, and once a person has started taking it, he finds it difficult to give up, and will pay high prices in order to get it. The British found it highly profitable to smuggle opium into China.

Opium had long been produced in India in small quantities. It was used as a medicine as well as a narcotic. In 1773 Warren Hastings, searching for fresh sources of revenue placed its production and trade under Government control, and appointed contractors to handle the crop. Later on officials known as opium agents were put in charge of it. The opium poppy could only be grown under a contract to sell to the Government at a price fixed by it. Any attempt to evade this control was severely punished. The price fixed was as low as possible, so as to yield a large profit to the State. The supply was also sought to be controlled so as to maintain a high price on the Chinese market. Great efforts were made to put down the independent producers of opium in the Malwa region of Central India – when they failed the company contented itself by imposing a heavy export duty on the Malwa opium. Thus we see that the development of opium as a commercial crop fulfilled both the objectives of the Company – it gave a large revenue in India, and also created a channel (via China) for the remittance of that income to London.

### 16.5.3 Indigo

This is a blue dye extracted from a tropical plant. It was used to colour textiles. Up to the 1790s much of the Western supply had come from the Caribbean colonies. But then, production there declined, and Indian indigo found a growing market. The company had been encouraging Europeans to settle in its territory to produce indigo, and purchasing it from them for export. Production increased rapidly. It was less than 5,000 factory maunds in 1788-9 and reached 133,000 maunds by 1829-30.

Indigo was grown under two systems of production **dhedi** and **ryoti**. Under the first, the planter undertook the cultivation with their own ploughs and cattle, employing hired labour for the purpose. The plant was cut and taken to the planters' factory

for the dye to be extracted. Under the ryoti system (also known as *asamiwar*), the peasants cultivated the plant on their own land, and had to deliver it to the factory at a fixed price. Almost all the indigo was produced under this system, as it had many advantages for the planter. To begin with, the price paid to the peasant was very low, and yet he could not refuse to grow the indigo. Refusal might lead to a beating or imprisonment and the destruction of the other crops on his land. To further strengthen the planters' powers, doctored accounts were maintained which showed the peasant to be in debt to the factory—a debt that was to be cleared by going on delivering indigo. Somehow, the debt was never cleared, but increased from year to year. The planters were Europeans, and maintained excellent relations with the Magistrates and Government officers, so that no complaints against them were ever heeded by officials. So the peasants were compelled to go on growing this plant at a loss to themselves: their accumulated discontent finally found expression in what were known as the 'Indigo Riots' in 1859-60. Thus we see that this important commercial crop was grown under a system of outright coercion.

#### 16.5.4 Cotton

If indigo was the important commercial crop in Eastern India, raw cotton was that of Western India. A significant export to China had developed by the 1780s, and the East India Company and Bombay merchants, who enjoyed its favour, sought to control the sources of supply. By 1806 substantial territory had been acquired in Gujarat, and the Company began forcing the cultivators to sell to them at a price lower than that prevailing elsewhere. Now however, the Company came into conflict with private European merchants and were compelled to give up the system and retire from this trade in 1833.

#### 16.5.5 Pepper

Here again the political power of the Company was used to force down the price, and to prevent merchants from selling to the French or other competitors. Here again, the company was forced to hand over to private British merchants in the 1830s.

#### 16.5.6 Sugar

The sugarcane is indigenous to India, and *gur* and *chimi* have been produced here for many centuries. It was extensively consumed within India. In the 1830s the indigo planters were faced with a fall in prices and sales, and so capital began to be invested in producing sugar for the London market, where import duties had been reduced and demand was rising. Large areas of land were given to European speculators who began setting up sugar plantations in eastern Uttar Pradesh. The local peasants had long produced *gur* for local consumption and sale to other parts of India, but they were now made to produce a thickened sugarcane juice (called *raab*) for delivery to the planters who processed it into sugar. As with indigo, the peasants received advances, and were then bound to deliver to the factory at a low, fixed price. Large profits were made by the planters, and exports grew; in 1833-34 Calcutta had sent less than 1,600 tons of sugar to England, but by 1846-7 it sent over 80,000 tons—a fifty fold increase. This prosperity was short lived, and when prices fell after 1848 most of the factories shut down, and exports almost ceased. Indian *gur* merchants and *khandsaris* then took the trade back into the old channel of sale to Mirzapur and central India.

#### 16.5.7 Tea

In the 1830s the Company faced mounting hostility in China because of its insistence on smuggling opium. It feared that its lucrative trade in tea might be interrupted, and began to promote the cultivation of tea within its own territories in Assam. When the experiment proved successful, the gardens were handed over to a private company, the Assam Company. Other tea companies also set up gardens in the 1850s. Since there were no local labourers to be had, the tea gardens brought in indentured or bonded labourers from Chota Nagpur and elsewhere in large numbers. This is the only instance in which commercial crops were produced in large capitalist enterprises. However, the expansion of tea, coffee and other plantations really occurred after 1860, and thus falls outside the period that we are studying now.

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## 16.6 THE EFFECTS OF COMMERCIALISATION

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We have now seen in detail how the different commercial crops were produced and sold. It will be obvious to you that each is different from the others in certain ways and it follows that the effects of commercialisation will differ from time to time, place to place, and crop to crop. We cannot expect them to be exactly the same everywhere. However, certain common features, and certain common effects to exist: and it is on these that this section will focus.

### 16.6.1 Impoverishment

Let us start with the Indian economy as a whole. You will remember that the object of the British was to produce goods for export to Europe, so that funds could be accumulated in the Company's treasury in London. Private English businessmen also wanted to send money back so that they could ultimately retire to a life of comfort in Britain. The exports therefore served essentially to remit resources out of India. It was the method by which the Indian 'tribute' was transferred to Britain. India received no imports in return for these exports. Obviously such a transfer impoverished India. The growth and export of commercial crops thus served to impoverish rather than to enrich India.

### 16.6.2 Instability

Agriculture in India was exposed to many hazards; drought, flood or other calamity could destroy the crops and ruin the farmers. But with commercial agriculture a new set of dangers appeared. The crops were now going to distant markets. If the West Indian sugar crop was good, prices might fall in Calcutta, and the sugar factories in Azamgarh might pay the peasants less than they had promised, and maltreat them if they complained.

Similarly, Bundelkhand region (the northern part of Madhya Pradesh) began to grow a lot of cotton for the China market after 1816. The British officials claimed that the area thus became very prosperous, and increased the land tax. However, the export declined in the 1830s, prices fell – but the taxes were not reduced. Both zamindars and peasants became impoverished, the land went out of cultivation, and finally in 1842 an uprising, known as the Bundela Rebellion broke out.

Uttar Pradesh also suffered in a similar way in the 1830s. The price of cotton and indigo fell, and as Professor Siddiqi describes it: 'Peasants were abandoning their lands, Zamindars had suffered losses. Money-lenders had been ruined because the loans they had made had not been repaid; many of them now refused to lend money to the cultivators. Land had depreciated in value: innumerable cases were reported of estates being put up for sale and no buyers coming forward.' The situation in rural Bengal was also similar at this time.

This was not the result of coincidence. Between 1830 and 1833 almost all the big firms connected with the export trade and the finance of commercial agriculture in Bengal, Bihar and U.P. went bankrupt. The reason was that they had gone on despatching indigo to Britain even though prices were falling, because they wanted to get their money out of India. The Government made matters worse by sending out bullion to London, and thus causing a scarcity of money in India. Businessmen who had borrowed to produce the export crops found that they could not repay the loans, and went bankrupt. Finally, of course the worst sufferers were the peasants who had been drawn by force and persuasion into the production of the commercial crops. Falling prices in London came to ruin cultivators in India. This is what we mean when we say the commercialisation added a fresh element of instability to the rural economy.

### 16.6.3 The Various Markets

We saw in 16.2 above that commercialisation is to be viewed in terms of different markets. We have also seen how markets for various products (silk, opium, indigo etc.) grew up. So the product market widened and enlarged itself. But what happened to the other markets that we had listed?

Strange though it may seem, the way that commercialisation developed in India actually tended to check the appearance of the other markets. First of all, except in the case of tea, the crops were not produced by hired labour. As we saw in the case of indigo, the preferred system was one in which the peasant could be coerced into supplying the required product at a very low price (what was called the *ryoti* system). In such a system, earnings would be very small which was why the peasants had to be coerced into it. They could survive because they and their families could grow food on the rest of their land – but a landless labourer could not do this, and would have had to be paid more. So the planters and businessmen did not like to employ wage labour, and the labour market did not develop.

The effect on the input market was similar. The peasant had to use his own plough, bullocks, etc. to raise the commercial crop. But he was not paid enough for this – as that would reduce the planters' profits. He could bear the loss because these things were needed to grow his own food supply also, but as in the case with labour, no free market for these inputs could easily arise.

The growth of a land market would also be inhibited. You will realise that land cannot be consumed like rice or dal. When we buy land we look forward to getting some income from its yield. But no one will buy it if he is not reasonably sure that he will be allowed to get this income – that an indigo planter or opium agent will not suddenly make some new demand on him. The fear of such action will obviously prevent outsiders from buying land and thus creating a land market. The hereditary cultivators may go on tilling the soil: after all, what alternative employment do they have? But the exacting regime of the tax-collector, the zamindar and the planter will check the growth of a market in land.

Finally, there is the credit market, the market for loans. Here also the effect of the system was to check its expansion. The indigo cultivators were given loans by the planters as a way of tying them down. An English official observed: 'If a ryot once received an advance he could very seldom or never clear himself and thus becomes little better than a bond-slave to the factory'. No one else would lend to a man in this situation, for how could the loan be repaid? On the other hand, the planter himself did not want the advance repaid, because then the peasant would escape from his control. Similarly, in the case of opium, the peasants took the advance to grow the crop at least in part because they feared that a refusal would anger the village headman and the Government. A free market, with the freedom for each individual to act in his own interest clearly did not exist.

#### **16.6.4 Social Structure**

It is sometimes believed that commercialisation necessarily results in growing inequality within the peasantry, with some becoming wealthy and employing wage-labourers, and others losing their land and forced to work for wages. This may happen if the markets are allowed to develop and function freely, and, in particular, the market for land becomes active. However, we have seen that this was not the case in the commercialisation that we are studying. The continual use of coercion and State power distorted the markets and prevented the appearance of a full labour market. Instead, commercial production fastened itself on the existing structure of small peasant production and impoverished it. Production continued to be carried on by the peasant and his family on their little plot of land, but now the indigo planter or opium agent forced him to mark off a part of his land for a commercial crop, from which he earned little or nothing. The peasant was impoverished, but neither the method nor the organisation of production were altered. The European businessmen found it more profitable to exploit the small peasant household than to engage in large-scale production with hired labour.

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### **16.7 LET US SUM UP**

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Thus we see in this Unit that although commercialisation was not completely new to India, the form that it took under early British rule differed in several important ways from that which had existed under the Indian rulers. This

commercialisation occurred under the auspices of a trading company whose headquarters lay in England and most of whose employees came from there:

- So the question of remitting or transferring wealth from India to Britain was a central aim,
- So the commercial production of items with a market in the West had to be specifically organised,
- But these items had to be secured at as low a cost as possible, so the Company used, and allowed planters and others to use coercion and violence on the Indian producers so as to keep prices down,
- Products could be got most cheaply by squeezing the peasants rather than by resorting to direct production with wage labour,
- While the product market was commercialised, other markets such as that for land and labour could not develop;
- So the peasant economy was impoverished, but neither the methods nor the organisation of production were altered; and
- As a result, small farming based on family labour remained the predominant form in the Indian countryside.

### Check Your Progress 2

- 1) Was commercialisation beneficial for the peasants? Answer in 60 words.

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- 2) What was the effect of commercialisation on various markets? Answer in 100 words.

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## 16.8 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

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### Check Your Progress 1

- 1) See Sec. 16.2
- 2) Your answer should focus mainly on the commercial interest of the English Company, See Sec. 16.4

### Check Your Progress 2

- 1) See Sub-sec. 16.6.2
- 2) See Sub-sec. 16.6.3