

Determinants of Agricultural Commercialisation: A Study of Barabanki District

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Abstract: India has been a country where agriculture has played the most important role in shaping the society and running the economy. Over the years, agriculture has gone through a number of changes like it gradually shifted from subsistence farming to market-oriented production. The main objective of this study was to establish a correlation between landholding size and level of commercialisation. The study was focussed on Deva and Pure Dalai of Barabanki district. Using Von Braun and Kennedy's Crop Commercialisation Index (CCI) to measure the extent of crop commercialisation. This study examines the determinants of agricultural commercialisation in Barabanki district, with particular emphasis on the relationship between landholding size and the level of commercialisation. Primary data were collected from 80 farming households, classified into four categories based on landholding size. The findings reveal a positive relationship between landholding size and commercialisation. Farmers with less than 2 hectares recorded an average CCI of 37, indicating semi-subsistence production, whereas those with more than 10 hectares recorded a CCI of 91, reflecting a high degree of crop commercialisation. Market access, government support, and infrastructure significantly influence commercialisation, though small landholdings and limited institutional support remain key constraints

Keywords: Subsistence, Market-Oriented, Commercialisation, Landholding, Crop Commercialisation Index, Infrastructure, Topographic, Zamindari Abolition, Green Revolution, Food Security, Agro Climatic Zones, Landholding, Agri-Commercialisation.

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I. INTRODUCTION

Agriculture has been the key characteristic of the Indian subcontinent since ancient times. The Indian subcontinent is blessed with climatic and topographic conditions that favour agriculture. Today around 50 percent of the country's population is dependent on agriculture as their primary livelihood and around 60 percent of the population is either directly or indirectly dependent on agriculture. The agri sector contributes to around 16-18 percent of the G.D.P. When the Britishers left India, the country was in distress, and food security was the biggest challenge. Over the years the agrarian sector has gone through a number of reforms like Zamindari Abolition, Green Revolution, which helped the country in becoming self sufficient again. And today, India is among the highest producers of wheat, rice, milk, sugarcane, pulses and many other crops. Another key feature of India's agrarian system is its diversity. The country has been divided into 15 agro climatic zones and each of them have their own crop combinations and features. Each agri region in the country is distinct from other regions on the basis of crops, commercialisation, landholding size, resources etc. But

today the agrarian system is dealing with a number of challenges. The most important being the economic viability, climate change crisis and its inability in improving the socio economic conditions of small and marginal farmers. Newer reforms and structural changes like infrastructure development, sustainable practices, value addition are needed to further strengthen the sector and uplift the socio economic status of agrarian communities.

➤ Historical Background of Agri-Commercialisation

The agrarian history of the country can be traced back to the neolithic period. The earliest evidence of agriculture from Mehargarh has found that cultivation of crops like barley and millets was done in 7000-8000 BC. The earliest evidence of rice cultivation has been found from Lahuradeva in Sant Kabir Nagar district of Uttar Pradesh. In the Indus Valley Civilization, communities cultivated kharif and Rabi crops and were perhaps the first of the societies to produce cotton.

But since Indian agrarian society has majorly been practising subsistence agriculture, the most common crops were the staple cereals like wheat, rice, barley, pulses,

oilseeds, sugarcane. Since the majority of the population was living a poor life, the ownership of land was limited, and landholding size was small. All these factors led to the practice of subsistence agriculture and the extent of commercialisation was limited. Coastal regions like Kerala and Tamilnadu were the hubs of international trade of agrarian produce where spices like black pepper, cardamoms were traded with the Romans. Black pepper was so valuable to the Romans and Greeks that it was often called Yavana-Priya in Sanskrit. During the Mughal Period, special emphasis was given to the cultivation of crops that offered higher returns. These “cash crops” were termed “Jins-i-Kamil”, some of which are cotton, indigo, sugarcane and oilseeds.

But the major push to commercialisation of agriculture was given by the Britishers during the colonial period. The agrarian structure went through a number of changes. In order to promote the commercialisation, systems of revenue collection like Permanent Settlement, Mahalwari System and Ryotwari system were introduced. During the time period of Lord Dalhousie, a wide network of canals was laid in order to bring more and more area under irrigation. But the type of commercialisation which Britishers brought in our country was highly exploitative in nature. It ended the self sufficient and self dependent character of Indian villages. And the crops in focus were Indigo, Tea, Cotton, Opium, Staples, the benefits of which never reached to the grassroot levels and it left the agrarian system in a distress that it would take the Independent India decades of reforms to make it self sufficient again.

➤ *Key Determinants of Agricultural Commercialisation*

According to Pingali and Rosegrant,(1995), agricultural commercialisation refers to the transition from subsistence farming to market oriented production, where crops are cultivated primarily for sale, rather than household consumption. When agriculture is commercialised, the crops are produced not for self consumption, but are produced on a large scale for sale in national and international markets. In commercial agriculture, usually farmers tend to respond to the market demands and opt for crops or varieties that are in demand. At times, such demand driven farming leads to dominance of a single crop and loss of many other landrace crop varieties. Usually the commercial landscape of north India is highly dominated by crops like wheat, rice, oilseeds, sugarcane, potatoes. And states like Punjab, Haryana, Western Uttar Pradesh are front runners in the race of commercialisation and the benefits of this agri commercialisation have been skewed in favour of these states. A big reason why farmers from the belt of Punjab, Haryana and Western Uttar Pradesh have been the top gainers of this commercialisation are the factors like capital infusion, large landholding size, tendency to adopt newer and innovative technology.

There are a number of factors which play a role in transforming a subsistence agrarian system into a commercialised one. These factors are economic, social, innovative, socio-economic, government interventions etc.

➤ *Land Holding Size*

The average landholding size in India was 2.28 hectares in 1960-61, which reduced to 1.81 hectares in 1995-96 and further to 1.08 hectares in 2015-16. According to NABARD's All India Rural Financial Inclusion Survey, the average landholding size has dropped to 0.74 hectares in the year 2021-22. In India, today 86% of the farmers are small and marginal farmers. According to NSSO's Situation Assessment Survey with respect to agriculture year July 2018- July 2019, 89.4% of the overall landholding size is less than 2 hectares. While small operational landholding size makes only subsistence farming feasible, as the landholding size increases, so does the tendency of crop commercialisation. States like Punjab (average landholding size 3.3 hectares 2015-16) and Haryana (average landholding size 2.1 hectares 2015-16) have much higher average landholding sizes and the agrarian prosperity of the states gets reflected into the socio economic lifestyle of agrarian communities.

Marginal and Small farmers (less than 2 hectares) farm their fields and their produce is for self consumption only. These households are termed subsistence households. But some households tend to devote a larger portion of their land to some relatively low value crops like cereals for self consumption. Only a small portion of their produce is sold in the markets to earn some extra money. These kinds of households can be termed as semi-subsistence households.

➤ *Market Access and Demand*

Markets and consumer demands are the most important factors of commercialisation. Markets directly link farmers to buyers and higher profit opportunities are possible. At times growth in urban population leads to increase in demands for agriculture commodities supplied through markets. The rural communities residing on the periphery of city regions often dedicate their lands in growing vegetables and perishable crops that are directly sold in the city markets. Often families with small landholding size opt for such seasonal vegetables and crops that are in demand, in order to meet their expenses rather than cultivating cereals.

Case studies have found that in Barabanki, a number of agrarian families that have small landholdings often opt for cultivation of mentha in their farms. Mentha is an aromatic cash crop in the region and the districts of Barabanki, Sitapur, Behraich and Lucknow alone contribute for 50% of state's overall mentha production.

➤ *Relation Between Landholding Size and Level of Commercialisation of Agriculture*

To study the relation between level of commercialisation and landholding size, an important tool is the crop commercialisation index.

➤ *Crop Commercialisation Index*

Crop Commercialisation Index is a methodology used to calculate the level of commercialisation. It was developed by John Von Braun and Ellen Kennedy in 1994. The index measures the degree to which an individual household produces a crop for sale rather than for self consumption.

CCI is an important index to understand the rural dynamics of agriculture commercialisation and its impact on the socio economic status of the population.

The formula to calculate the crop commercialisation index is as follows

$$CCI = (Gross\ Value\ of\ Crop\ Sale / Gross\ Value\ of\ Total\ Crop\ Production) \times 100$$

• *On the Basis of CCI Values, the Following can be Concluded:*

- ✓ If CCI = 0, it is completely subsistence farming
- ✓ If CCI = 1 - 50, it is semi commercial farming
- ✓ If CCI => 50, it is commercialised
- ✓ If CCI = 100, it is fully commercialised and completely market oriented

In order to understand the level of commercialisation in the region a study was conducted. In this study ,

households were grouped into 4 categories on the basis of landholding size:

- ✓ Marginal and Small Farmers = below 2 hectares
- ✓ Semi Medium Farmers = 2-4 hectares
- ✓ Medium farmers = 4-10 hectares
- ✓ Large farmers = more than 10 hectares

The study was majorly based on primary data collection. The samples were collected using survey methods and personal interviews. Only households where agriculture was their main occupation and generated more than 75 % of total household income were selected. The households were grouped into 4 categories and a total of 80 respondents were selected from Pure Dalai and Deva Blocks of Barabanki. A total of 4 villages were selected and from each category of farmers based on household , 20 samples were taken. The villages were selected on the basis of distance from the block headquarters, i.e. 1 village closest to the main market and 1 village farthest were chosen. On the basis of interview findings, the following Crop Commercialisation Index scores were achieved after averaging the individual CCI scores, which are as follows:

Table 1 Represents the Crop Commercialisation Index for Different Landholding Sizes

S.No	Landholding Size	CCI Score(Average)
1	0 - 2 hectares	37
2	2 - 4 hectares	58
3	4 - 10 hectares	76
4	Above 10 hectares	91

On the basis of these findings it can be concluded that the landholding size plays an important role in determining the level of commercialisation of agriculture. Smaller households were more engaged in cultivating majorly for self consumption and for their livestock. Only a small portion of their produce was sold in the markets when households were in need of money. On the other hand, larger landholders allocated a large portion of their land in producing crops for sale. The above CCI score shows how the increase in landholding size also led to increase in the level of commercialisation. But at the same time a number of small households cultivated a diverse range of crops compared to larger farmers where wheat, rice and sugarcane dominated.

➤ *Role of Governments and Policy Makers*

According to Adam Smith, a market is a self regulating system that is driven by an invisible hand. His idea of a market was a freely running system run by the balance of demand and supply, competition and limited government intervention. But John M. Keynes believed that free markets were unstable and a regular government check and control was needed in order to ensure a freely and smoothly operating market system. In our country , almost 90% of farmers hold marginal and small land. If government interventions and reforms are not brought into play, the agri sector will become an uneven playground for these marginalised communities. Governments through a number of schemes and policy interventions, subsidies and aid, play

a role in uplifting the socio-economic status of farming communities.

The first major intervention was the Zamindari Abolition Act of the 1950s. Its major objective was to remove the intermediaries between the government and actual tillers of land. The act reformed the rural setting by redistributing land and providing ownership rights to the tillers . It was done to insure social justice among the rural masses. Another major tool used by Governments is the Minimum Support Price(M.S.P). M.S.P. is a minimum price insured by the government over 23 crops and is declared twice in a year before the beginning of sowing season. MSP acts as a worst case scenario guarantee to the farmers and it is calculated using a number of variables like cost of production, market demand, international prices of the crops etc. Since 2018-19, it has been set to 1.5 times the cost of production.

• *Some Other Key Policy Interventions by the Government are as Follows:*

- ✓ eNAM- Electronic National Agriculture Market aims to integrate Agricultural Produce Market Committees into a single unified national market. It tries to reduce the role of intermediaries and cut the transition costs. Through eNAMs, farmers can get access to buyers outside the local mandis.

- ✓ Schemes - Kisan Credit Cards, Pradhan Mantri Fasal Beema Yojna, Pradhan Mantri Kisan Sampada Yojna, Pradhan Mantri Krishi Sinchayee Yojna, Pradhan Mantri Kisan Urja Suraksha Evam Uththan Aahaabhiyaan i.e. PM KUSUM(for installation of solar powered pumps) etc. The government is also promoting production of certain crops like Millets, which have been called Shree Anna.
- ✓ Promotion of FPOs- Farmer Producer Organisations play an important role by acting as cooperatives of companies or Self Help Groups , and often provide their members easy access to markets, credit and technology.

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II. CONCLUSION

The agrarian system of our country is majorly dominated by very small farmers where average landholding size today is less than even 1 hectares. Though the government offers M.S.P as a guarantee , yet the top beneficiaries of these schemes are farmers from the state of Punjab and Haryana(according to the Press Information Bureau). It can be concluded that crop procurement on the MSP is skewed and not in favour of small and marginal farmers. The study has shown that smaller households have lower level of crop commercialisation and majority of them are semi subsistence in nature. The most commercialised crops in the region are Sugarcane, Mentha and potato. A big hindrance in crop commercialisation is the small landholding size and it can be countered using methods like contract farming. But more research is needed to study the impact of contract farming on overall socio economic development of the region. Another challenge was low penetration of crop insurance. The presence of intermediaries(middlemen) is often a discouraging sign for smaller households as they earn less profit compared to what they should. A low number of participants were found to have been enrolled in some kind of crop insurance scheme.

Policy makers need to focus on removal of intermediaries, cut transition costs, insure availability of better variety and climate resilient seeds, provide more market opportunities and develop cold chains in order to prevent the post harvest losses.

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