

## **UNIT 13 IMPACT OF COMMERCIALISATION**

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### **13.1 INTRODUCTION**

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When we look back at the origin of production and consumption functions starting from the days when humans existed from hunting and gathering; through moving gradually to realize the need for entitlements, and use rights; and then to family-based subsistence farming, and recently to commercial farming for making profits in the marketplace, it is astounding. Today consumerism is the norm all over the world. ‘Commercialize and make profits’ is the order of the day. Containing production to satisfy only subsistence needs, or subsistence-farming is considered as unacceptable and only a way to stagnate. Modern “wisdom” dictates the supremacy of the market. Create a demand, which in actuality is non-existent and then produce to make profit through fulfilling that demand is the market logic. We will explore the origin of the concept of commercialization or commercialism, its meaning, and its modern incarnations in various walks of life as we study this Unit.

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### **13.2 OBJECTIVES**

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After studying this Unit, you should be able to:

- Define and discuss the meaning of commercialization;
- Illustrate the shifts the humans have made from a life of hunting and gathering to commercialism and consumerism;
- Identify the positive and negative aspects of commercialization;
- Interpret the impact of commercialism on families and economies; and
- Examine the pros and cons, and the impact of commercialization on large-scale farming and smallholder farming.

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### **13.3 MEANING AND DEFINITION OF COMMERCIALIZATION**

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The dictionary definition of the term commercial simply means ‘making or intending to make a profit’. It is also often disapprovingly used to mean ‘more concerned with profit and being popular than with quality’. Expressions such as the following originate from here: commercial heart of the city; commercially produced/grown/developed; commercial baby foods; their product was a big commercial success. Commercialism communicates the fact of

being more interested in money than in the value or quality of things. We use expressions such as: 'From subsistence farming to commercial farming', meaning we used to cultivate for our own family consumption, but of late, our focus is to make money out of it in the market. This implies that production is now considered as primarily meant for the market. The emphasize: "commercialize so that you can make profit and show economic efficiency or economic growth". We can understand that 'commercial production' is the stark opposite of 'production for subsistence needs'.

Commercializing can be defined as production meant for making a profit in the marketplace rather than for one's own family consumption or for fulfilling subsistence needs. It operates with principles such as creating a need for such a product, creating and demonstrating utility, creating consumers through injecting in the minds of people a strong desire to become actual consumers of a given product or service. In economic terms, it intensifies or deepens the willingness to buy so the potential consumers find ways and means to qualify their ability to pay for a product. Commercializing is making consumers feel that that is what they have been waiting for when in fact, they never thought about it before they got introduced to product through a TV advertisement. Commercialization might be defined from producer and distributor points of view only. Although what actually promote commercialisation are the consumer choices due to influences of media and exposure. This is referred to as consumerism.

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### **13.4 COMMERCIALISM AND CONSUMERISM**

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The market dictum says: 'create consumers before creating a product'. Thus, the influence of the market on consumers is profound. There is no commerce (trade) without buyers. Therefore, it is meaningless to discuss about commerce or commercialism in isolation without referring to consumers or consumerism. We shall also see in this Unit, the role of consumerism that has come about as a result of commercialization. The vantage-point of producers and distributors is commercializing, whereas the vantage-point of product-users is consumerism. In market literature, commercialization is used as a means to make profits and as a way to participate in any economy that is increasingly becoming market-based. In development literature, commercialization is often used disapprovingly, connoting its

tendency to produce goods with the idea of making profits or selling useless objects and encouraging consumerism, which is not sustainable.

### **Check Your Progress Exercise 1**

**Note:** i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What is the meaning of commercialization?

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### **13.5 THE PERCEPTIBILITY OF COMMERCIALIZATION**

Whether you walk the streets of New York or New Delhi, Beijing or Bangalore what is glaringly visible is the level of commercial culture that is increasingly homogeneous. The glittering air-conditioned shopping malls; the fast food restaurants; advertisement banners of bikes, branded shirts, trousers and sunglasses, computers, computer courses and so on. Young people drink the same soft drinks, smoke the same cigarettes, and wear identical branded clothing and shoes and so on. Consumerism or consumerist culture is bringing about a kind of cultural homogenization across countries and continents. The kinds of advertisements that are aired for product-promotion make one think: 'life is for celebration' and so consume and enjoy life to the fullest. So, things that were considered as luxuries are steadily and stealthily entering our list of essentials.

Excessive consumerism and humans' tendency to live a "rich" life is pushing the drive for - with excessive consumption and material possession in India and in the rest of the developing countries. Western life-styles, and Americas culture of greed and gluttony and eternal consumerism is regarded good, which the rest of the world ought to emulate. In India where the slogan used to be: 'good is good'; it is becoming 'more is good, and greed is good'.

### **13.6 THE ORIGIN OF COMMERCIALIZATION**

Commerce is as old as humans on the earth. Commercialization or commercialism is a concept that originated and got on the fast track after many nations started globalizing, and when many economies started moving from state-managed systems to increasingly market-

based systems of production and distribution. So, commercialization is roughly three to four decades old.

Commercialization originated in manufactured goods, and later moved on to services, and of late, to farming as well. Its presence now even in agricultural as well as in non-agricultural sub-sectors such as micro, small and cottage industries is also visible. Two origins can be thought of when we think about the origin of commercialization. One is that when industries involved in manufacturing products and services proliferated, huge quantities of similar products started coming to the marketplace, making the supply in excess of the demand. Producers and distributors felt the need for 'demand creation' to be able to sell their products. Professions in selling and marketing; and disciplines such as advertisement and marketing management started emerging.

Secondly, from the beginning of the 1990s, with the processes of globalization and multi-national corporations establishing their production-base and marketing across countries and continents, commercialization really started taking on a new incarnation with unprecedented vigour. The professions in marketing and publicity; advertisements through printed, visual and digital media served as platforms that could promote the sale of any product, and appeal to the consumers' mind. Often agricultural produces obtained as raw materials after value addition and processing started being sold for profits at unimaginable levels compared to the price of the primary products. This kindled in the minds of farmers the desire to commercialize and face markets. Thus, the influence of manufactured goods being commercialised in the market ripple in the form of commercialization of agriculture, and farm products as well. There are also countries such as India and other Asian countries that promote commercialization of agricultural through deliberate policy choice to make agriculture remunerative and to enable the farmers to fetch reasonable prices for their produces / products.

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### **13.7 WHY COMMERCIALIZE?**

Is commercialising good or bad? This is a debatable question. As long as a family is engaged in subsistence farming it will remain in a small vicious cycle. They may not be able to make it big; they are subjecting themselves to the vagaries of risks and unexpected shocks.

Similarly, as long as a country remains producing only for subsistence needs for domestic consumption, it will stagnate. Commercial production for domestic as well as foreign markets leads to better economic growth, and increased national income. The simple logic is identifying the resource endowments in a country and analyzing the possibilities for commercializing it to be able to make the maximum profit. Only when it moves to commercialize things and join the market-based economy, and start competing in the marketplace, a nation can ensure an economic growth rate.

The question of commercialisation being good or bad is debatable. From the producers' point of view and from the point of view of augmenting national income it might be good. From the point of view of generating unnecessary greed for material possession; and from the point of view of depletion of scarce non-renewable resources such as energy, for example, it is considered bad. Taking into consideration the unethical business practices that commercialization makes the businesses to resort to, in order to amass wealth for the company or provide a share in profit to the share-holders; one can argue that commercialisation is bad. But many countries of the world today have chosen to adopt neo-liberal production modes, and many companies and corporations are trying to enhance commercial viability of the product that they are manufacturing. So, there is a dire need to commercialize, while at the same time we cannot deny the fact that it leads to faster depletion of resources and often resorts to unethical means of making profit, externalizing the negativities. All said and done, it is economic efficiency and return on investment (RoI) questions that stand finally, which warrants commercializing – be it a country or a small producer.

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### **13.8 COMMERCIALIZATION OF AGRICULTURE**

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There has always been a debate if smallholder farming can be given up for large-scale commercial farming. The experience from various countries offers a varied picture. Clearly, differences exist in the pattern of agricultural development (DFID, 2004). While it is generally accepted that agricultural growth is good for poverty reduction, a dispute remains about the extent to which these differences matter as far as the impact on the poor is concerned. There are a number of strands to this debate, including:

- the merits of smallholder versus large commercial farms;

- the impact of commercialization; and
- the impact of cash cropping.

### **13.8.1 Smallholder versus large commercial farms**

Generally speaking, where agricultural development has taken place on small farms with labour-intensive techniques, generating incomes for farmers whose spending is predominantly on locally-produced goods and services, the creation of jobs and incomes for members of poor households has been greatest and the impact on poverty and hunger highest. This is perhaps most sharply illustrated in South and East Asia where farm-level evidence from the 1970s supports the theory that farm size is inversely related to per-hectare productivity.

Where 'improved farming' has been carried out mainly by large-scale farmers using labour saving, capital intensive techniques, and where farmers spend much of their additional income on sophisticated goods produced outside the locality, the impact on poverty and hunger has been less marked. This is well illustrated by the experiences of Brazil and Mexico in the 1990s, when progress in agriculture was typically concentrated amongst farmers with capital to invest who were well placed in the emerging marketing chains. This type of growth did little to reduce hunger and poverty as most smallholders became marginalized.

However, the view that improving yields in smallholder farming will lead to poverty reduction is being challenged. Small-scale farmers tend to be limited more by cash or seasonal labour than by land scarcity. They struggle to innovate because new technology is capital-biased and reflects long-term investment by the private and public sectors in meeting the needs of farmers in the North. Furthermore, lost economies of scale mean that, compared to large-scale farmers, smallholders have fewer skills to manage new technologies, pay more for inputs and receive less for outputs, find it difficult to meet new commodity chain requirements and experience problems in managing dangerous chemicals.

The fragmentary evidence against small-scale farming stems from emerging understanding of the impact of global change on agriculture. The conditions on which the small farm efficiency argument rest are breaking down: globalization is leading to very different

conditions where non-traditional markets (with high transaction costs and greater risks) are promoted and greater capital investment is required for agricultural modernization.

### **13.8.2 The Impact of Commercialization on Food Security**

Since the 1980s, there has been concern that the commercialization of agriculture, that is, more production for the market and less for subsistence, could undermine food security and poverty reduction. In some cases, this concern results from a narrow preoccupation with household-level self-sufficiency as central to food security, and a lack of recognition of agriculture's role in ensuring access to food. There are other concerns though, including:

- market prices vary over seasons but poor households often sell their crops at the lowest price because of an urgent need for cash for credit payments, school fees, medical bills, etc;
- since women do not market commercial crops, they lose control over income and household food supply; and
- crops produced for market are seen to offer a less direct route to improved nutrition than stable production of staple foods.

So what does the evidence tell us? One of the most thorough syntheses of commercialization was undertaken by IFPRI (von Braun, 1995). Ten synthesized country case studies of commercialized small-scale farming found that commercialization was associated with, or led to:

- increased staple food production – risk aversion prevented smallholders from specializing completely in high-value crops and they continued to grow subsistence staples;
- increased demand for farm labour and use of hired labour; and
- generally higher incomes and better child nutrition – but with low elasticity from incomes to child nutrition (i.e. a relatively large increase in income is required for a more modest increase in nutrition).

When commercialization left smallholders worse off, it was more often the result of bad policy rather than a function of commercialization itself (von Braun, 1995).



### 13.8.3 The Impact of Cash Cropping on Food Security

One particular manifestation of commercialization is cash cropping. Whilst commercialization can include market-oriented production of staple food crops (for example maize, wheat or rice), cash cropping involves crops produced for cash that have a higher value than those consumed for food within the household. It also tends to require a greater degree of specialization.

Concerns have long been expressed that the expansion of cash cropping amongst smallholders could undermine their food security. This issue has been the subject of extensive and rather inconclusive analysis, and evidence from different studies points to dissimilar outcomes.

There is no conclusive evidence to suggest competition between cash and food crops or that increased cash incomes necessarily resulted in better nutrition. Research findings supported neither a food-first approach nor cash crop fundamentalism. They concluded that much depends on the farming system, the choice of crops and the policy context. Generalization on this issue is unwise, but Longhurst, cited in Maxwell (2001), provides a useful codification of the circumstances in which the development of cash cropping is likely to be more or less promising for poverty reduction and food security. Longhurst concludes (perhaps not surprisingly) that the introduction of cash crops into farming systems was generally more likely to have a positive impact on household-level food security when cash crops:

- are grown by both men and women;
- are farmed in combination with marketable food;
- generate regular rather than periodic cash flows with early rather than delayed income flows; and are processed locally.

In the case of cash cropping and broader commercialization, there are differences between short- and long-term impacts. The policy implication is that interventions to promote market-oriented production should be complemented by buffering measures to protect the subsistence bases of the poorest households.

### **13.9 THE POSITIVE IMPACT OF COMMERCIALIZATION**

Commercialization can be thought of in terms of the impact (both positive and negative) that can leave on households, companies, corporations especially the Multi-National Corporations (MNCs), individuals as share-holders of companies / MNCs, and on the economy. Since commercialization operates more with market principles, it has the chances of causing both positive and negative effects. The following can be listed as positive aspects of commercialization.

- Commercialization is resorted to so as to bring about a Fair Return on Investment (RoI) and to make the business sustain. It provides justice to the cost of capital invested in business.
- Commercialization creates competition, which often brings down prices in favour of consumers.
- It enables families and economies to move from subsistence production levels to commercial production, which can help profit maximization.
- Commercialization provides visibility to the products of a given firm.
- A firm that is visible and successful in the marketplace stands fairly good chances of generating additional investment for expansion, and to make international presence felt.
- When many firms / corporations do commercially well, the chances of the country having more capital formation through Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII) are high.
- More production and more commercial activities would lead to high employment generation, which can reduce the levels of poverty among people in a country.
- The tax income that the government gets from commercial activities would become more and so the government would have more financial resources to spend for social development purposes.
- When many governments view markets as the main engine of economic growth, commercialization becomes inevitable.

### **13.10 THE NEGATIVE IMPACT OF COMMERCIALIZATION**

While we have been increasing our levels of consumption, and the material possessions that we live with, we have also been enhancing the complexity and the problematic from period to period. The purpose of production is consumption. As mentioned at the beginning of this Unit, production, distribution and consumption are essential functions of economics. Market-based economic activities have made excessive consumption the order of the day. Excessive production and excessive consumption often has a positive effect on the economy, whereas it imprints its negative effect on environment and society. That is where all the problems due to commercialization begin. They can be broadly pointed out as: Problems of deepening poverty and inequality; causing resource depletion and environmental pollution; beginning of ecological imbalances and global warming and so on. Let us try to list them.

- Commercialization makes one look at everything in terms of money, and ways to cash in on anything they see. It can be water, trees, sand, soil, clay, stones, animals, birds, and even human organs, women, and children. ‘‘Anything can be cashed in’’ is the human tendency that is dangerous about commercialization.
- Commercialization gears up consumerist culture making people develop obsession for overconsumption and to amass material possessions more than what their usual requirements are. Overconsumption by a few, naturally means stealing that which is meant for another section of the society that is starving or are deprived of such things.
- Commercialization drives families to spend more than what they can afford. It becomes difficult for families to reconcile their habits with their net income. Living on future income (salary to be earned) has driven families in developed countries to suicidal tendencies.
- The commercialization that started in manufactured goods, in the past decade, has caught up service sectors such as banking and insurance also. Banks invite and encourage customers to purchase what they call ‘loan products’, through which they can go for buying new cars, a second house and so on. This deprives the poor of the genuine loan that they might need for agricultural purposes. The mind set of bankers today is that loans given to agriculture are risky, whereas loans sanctioned to a salaried person who wanted to buy a car is safe.

- Commercialization and over-production cause environmental pollution – polluting the quality of air, land, soil, water bodies etc. in the production process using them as sources for dumping solid and toxic wastes, and by letting out untreated industrial effluents.
- Commercialization causes depletion of natural resources including the non-renewable ones to be converted into cash, unmindful of the generations to come.
- It deepens the severity of poverty widening the gap between the rich and the poor in society. Those who can afford to make a living, given the change in market conditions, and those who cannot afford it constitutes two each of the spectrum.

There are also issues such as: (i) upon economic efficiency calculations, agricultural lands along with waste lands being handed over to private investors interested in starting industries; (ii) agricultural lands being converted for the cultivation of a specific plant variety, which is meant for use as an alternative fuel (bio-fuel); (iii) corn being used as raw material for alternative fuel production for use in the motor vehicles, whereas people in many countries such as Niger, Sudan, and Ethiopia are struggling to ensure their food security. Commercialization makes one think that selling corn for manufacturing alternative fuel is wiser than making it available for people who starve to death.

### Check Your Progress Exercise 2

**Note:** i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. Can you list a few positive and negative aspects of commercialization, from your experience?

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### **13.11 LARGE-SCALE (COMMERCIAL) FARMING: PROS AND CONS**

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A growing number of investors and finance companies have acquired large parcels of productive land in many developing countries for commercial production, long-term

investment, or speculation purposes. On the one hand, such large-scale international investments can supply infrastructure, create employment, increase public revenues, and bring technology and skills to local farmers. On the other hand, they can also threaten food security, lead to the eviction of local land users and loss of access to land for indigenous groups, as well as generating competition for vital resources among local populations. Countries that have attracted investors' interest include those with uncultivated arable land and those with weak land governance. Especially, the bio-fuel boom and the uncertainty surrounding the future of food and fuel supplies have prompted a renewed interest in land-based investments.

Importantly, however, uncultivated land is very likely to be already occupied or used by local populations who use the land for non-arable uses such as pastoralism or hunting and gathering. It is, therefore, of the utmost importance that local institutions protect vulnerable groups from the loss of land on which they have legitimate (if not formally recognized) claims or set up appropriate compensation mechanisms.

This section attempts to compare the advantages and constraints of this model versus small-scale farming and provide some evidence in terms of the economic, social, and environmental impacts so far. However, the extent to which benefits can be reaped by the country and adverse impacts mitigated depends very much on government policies and capacities and the setting up of proper regulations. We shall start with definitions of some repeatedly used categories of farmers.

### ***Subsistence (family) farmers***

These are households – fisher folk, pastoralists, smallholders, as well as landless labourers and households requiring social assistance-- for whom food security is the main concern. Small production units are almost totally focused on home consumption. These are among the most disadvantaged and vulnerable rural groups.

### ***Small investor farmers***

These are rural households and small agricultural firms engaged in farming as a business. Their production is based on family labour, although in the more entrepreneurial farms the owner and perhaps other family members are in charge primarily of management and

supervision, while the bulk of the labour input is provided by hired farm workers (typically including several permanent full-time employees). They hold cultivated land for both commercial and subsistence agriculture and produce for the market. To cope with price and climatic shocks, they diversify production (maize, soya, vegetables, poultry, cattle, pigs, etc.). They exhibit high production efficiency (with a labour-intensive technology), but their assets are limited: constraints of capacity, legal status, marketing, infrastructure, and capital hinder their growth and full participation in the market.

### ***Large-scale farmers***

These are medium to large firms engaged in high-value, export-oriented agriculture. They account for a very small percentage of rural players in developing countries. Management may be local or foreign. There is a permanent staff of full-time hired farm workers, who are to some degree specialized. In addition to their land and other holdings, firms in this category have direct access to finance, modern risk-management instruments, information, and infrastructure necessary to remain competitive in their business operations. They can produce indirect effects on poverty reduction: high adoption rates result in rapid improvements in productivity, driving food prices down on a global scale, and they can create employment.

#### **13.11.1 Advantages of Large Farmers Compared with Small Farmers**

##### ***Potential to reverse long-standing under-investment in agriculture in countries with large areas of fertile land***

According to recent World Bank analysis, large-scale investment can be instrumental when relatively fertile land must be developed in areas of very low population density. Without a large agricultural population representing a potential labour force, expansion into these areas will necessarily require mechanization. Although mechanization of smallholder agriculture is possible through the use of draft animals or hired machinery services, even if these technologies can be made available, development of relatively unpopulated areas may still require significant in-migration from areas of higher population density, to which there may be political obstacles. Under such conditions, large-scale mechanized farming may be the best model, even for the production of staple foods.

### ***High quality standards assured***

Large-scale farming might be better suited when producers must compete in overseas export markets that have very stringent quality requirements and demand backward traceability of output all the way to the farm level, and in which contract farming is not feasible.

### ***Economies of scale***

Economies of scale are important in some plantation crops grown for export (for example, sugar, palm oil, tea, bananas, and many horticultural crops). After harvesting, these crops need to be processed very quickly and/or transferred to a cold-storage facility; otherwise, they decline rapidly in quality and hence value. If the farm operations of planting and harvesting can be successfully co-ordinated with the off-farm operations of processing and shipping, the economies of scale associated with the processing and/or shipping of these crops are transmitted to the farm level.

However, over the past 15 years and more, rapid growth in agriculture has not been positively correlated with large-scale farming models. Over this period, the agricultural growth rate of Brazil, based on the large-scale farming model, has been exceeded by that of China, Vietnam, and is no less than sub-Saharan African countries (such as Angola, Benin, Burkina Faso, Ghana, Liberia, Mozambique, and Nigeria), all of which feature agricultural sectors dominated by small-scale farming.

### ***Provision of access to markets and technologies to smallholders***

In Mexico some large investors (Nestlé, Bimbo, Maseca, Commercial Mexicana, Monsanto, and Pepsi) increased access to technical packages and markets through partnerships with local groups. As a result, the livelihood of the participating communities improved in terms of increased incomes for maize producers and a decline in out-migration. Large-scale investment also reduced farmers' risk, thus providing a secure outlet for produce. There are cases in which investors brought in technology that raised yields dramatically, provided machinery services, and shared technical advice with local people.

### ***Employment generation***

Local people often identify jobs as the most important and immediate benefit of investments. However, case studies of large-scale investment in seven developing countries suggest that

high expectations of employment generation were not, in fact, commensurate with the investment or with the qualifications of the local populace. Benefits may accrue in many cases. For example, In Liberia, a case study reveals that the creation of full-time jobs for 400 unskilled workers led to reduced crime and prostitution. Nevertheless, in some cases jobs did not materialize because projects were not viable economically, and/or progress with implementation was lagging. The failure was particularly acute in cases where jobs were expected to provide compensation for land, and where vulnerable groups lost access to some livelihood resources but did not benefit in terms of jobs.

In addition, in some large investment projects, the employment conditions did not conform to the original contract: jobs were offered on a contract basis (day labour) with unclear terms and conditions. This is particularly worrisome, given that agricultural workers are among the most socially vulnerable groups, are the least organized into trade unions, are employed under the poorest health, safety, and environmental conditions, and are the least likely to have access to effective forms of social security and protection. Rural workers are more subject to forced labour than other categories of workers. Wages are lower than in other sectors. Real wages have been rising in Asia and Africa, and declining in Latin America.

### ***Support for social infrastructure***

A direct way to share the benefits of large-scale agriculture investment is through the provision of public goods, including schools, transport (maintenance of access paths and local roads), access to water, and providing access to inputs and outputs markets. For instance, a Dutch–Tanzanian joint venture to produce livestock in Tanzania has put in place a social fund devoted to social infrastructure projects (such as schools, dispensaries, teachers’ houses, and village halls). Another large foreign investment in the Democratic Republic of Congo (for the production of rubber, coffee, and cocoa) has employed all previous workers, and provides them with a 230-bed hospital, clean water, electricity, and primary and secondary schools.

### **Check Your Progress Exercise 3**

**Note:** i. Use this space given below to answer the question.

ii. Compare your answer with the one given at the end of this Unit.

1. What are the advantages of large-scale farming compared to smallholder farming?



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### **13.11.2 Risks/Challenges of Large Farmers Compared with Small Farmers**

#### ***Lack of attention to existing land users***

This is about deficient process for local consultation, and in turn an increased likelihood of conflicts over resources. According to case studies, the allocation of land without prior consultation or agreement on the amount or type of compensation, and without local involvement in the concession, has led to significant tensions that have affected project operations. In a number of other cases, such conflicts required costly restructuring of plans and court actions that could have been avoided if projects had been better conceptualized and local residents had been consulted.

#### ***Negative distributional and gender effects***

Distributional concerns arise when the procedure for transferring land does not take into account the full spectrum of land users' rights (such as those of women, and the temporary rights of pastoralists). There are several examples of groups at the margin of affected communities that have been completely excluded from processes of local consultation – with negative effects on their livelihoods. Large investment projects can have a strong negative effect in terms of gender equality, as they might provide compensation to individuals who might not be the actual users of the resources. In most cases, land rights are in the name of men only, leaving women without a voice in consultations in the community.

#### ***Public-sector constraints on the collection of land taxes and monitoring of investors' compliance with agreements made with local communities***

Consultation with local rights holders is in some cases superficial, with lack of prior information and no written agreements that would clarify the various parties' responsibilities and be cited when agreements are not adhered to. In turn, government capacity to monitor compliance is severely limited.

#### ***Rent-seeking behaviour/short-term interest***

There might be fluctuations in financial and economic benefits and short-term profitability that might lead to the implementation of large projects that are not desirable from the country's perspective, for instance in the case of land acquired for speculative reasons. In addition, major investment can lead to economic rents being captured exclusively by large farmers, instead of being fairly shared with the local population. Large-scale foreign investment in agriculture may create opportunities to capture rent, for instance in the case of excess profits taken by individuals and firms directly engaged in farming, attributable to high farm-gate prices; by agricultural suppliers (e.g. of seed of patented crop varieties) because of monopoly or oligopoly conditions; and by buyers of agricultural commodities (e.g. supermarket chains and estates using smallholders as out-growers).

### ***Negative environmental impacts***

More intensive and/or large-scale production is associated with a number of negative environmental impacts, including deforestation, loss of biodiversity, heavy demands on scarce water, negative impacts on human health and water quality from excessive or inappropriate application of pesticides, and increased consumption of fossil fuels. Indeed, increased specialization at the field, farm, and landscape levels produces monocultures that potentially increase environmental risks, because they reduce the number of and variability of within species biodiversity, ecosystem functions, and ecological resilience, and they may be highly vulnerable to climate change.

Evidence suggests that large-scale investment does not necessarily have to result in the conversion of small-scale agriculture to large-scale agriculture. The need for investment in technology, infrastructure, market access, and institutions suggests that private investment could contribute in many ways which do not involve large-scale land acquisitions. According to recent value-chain analysis, for the foreseeable future greater opportunities and important economies of scale for private domestic or foreign investors can be achieved in output processing, packaging, and marketing, rather than in production. These include a wide range of more collaborative arrangements between large-scale investors and local small-scale farmers and communities.

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### 13.12 SUMMING UP

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The advent of multi-national corporations have become a cultural and economic *tsunami* (tidal wave) that is roaring across the globe and replacing the spectacular diversity of human society with a new version of good life: Orienting people to make economic calculations of anything and everything; and to convert anything into economic value and cash in. As corporations market the consumer dream of wealth and glamour, local cultures around the world are eroded. Family and community bonds are disintegrated as social relationships are 'commodified' and reduced to what Karl Mark called the 'crude cash nexus'.

In summary, we need to get reminded of Mahatma's axiom: 'The earth has enough to provide for everyone's needs and not for everyone's greed'. But, today world-wide, excessive consumerism is framed in patriotic terms. There is also a wise saying that is staggering when we read: 'Only when you have felled the last tree, caught the last fish and polluted the last river will you realise that you can't eat money'.

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### 13.13 GLOSSARY

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**Commercialization:** Production meant for making a profit in the marketplace rather than for one's own family consumption or for fulfilling subsistence needs.

**Subsistence (family) farmers:** These are households – fisherfolk, pastoralists, smallholders, as well as landless labourers and households requiring social assistance-- for whom food security is the main concern. Small production units are almost totally focused on home consumption. These are among the most disadvantaged and vulnerable rural groups.

**Small investor farmers:** These are rural households and small agricultural firms engaged in farming as a business. Their production is based on family labour, although in the more entrepreneurial farms the owner and perhaps other family members are in charge primarily of management and supervision, while the bulk of the labour input is provided by hired farm workers (typically including several permanent full-time employees). They hold cultivated land for both commercial and subsistence agriculture and produce for the market.

**Large-scale farmers:** These are medium to large firms engaged in high-value, export-oriented agriculture. They account for a very small percentage of rural players in developing countries. Management may be local or foreign. There is a permanent staff of full-time hired

farm workers, who are to some degree specialized. In addition to their land and other holdings, firms in this category have direct access to the finance, modern risk-management instruments, information, and infrastructure necessary to remain competitive in their business operations.

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### **13.14 ANSWERS TO CHECK YOUR PROGRESS EXERCISES**

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#### **Check Your Progress Exercise 1**

1. Commercializing can be defined as production meant for making a profit in the marketplace rather than for one's own family consumption or for fulfilling subsistence needs. It operates with principles such as creating a need for such as product, creating and demonstrating utility, creating consumers through injecting in the minds of people a strong desire to become actual consumers of a given product or service. In economic terms it intensifies or deepens the willingness to buy so that potential consumers find ways and means to qualify their ability to pay for a product.

#### **Check Your Progress Exercise 2**

1. One positive aspect of commercialization can be that it creates competition, which often brings down prices in favour of consumers. One negative aspect of it is gearing up consumerist culture making people develop obsession for overconsumption and to amass material possessions more than what their usual requirements are. Overconsumption by a few, naturally means stealing that which is meant for another section of the society that is starving or are deprived of such things.

#### **Check Your Progress Exercise 3**

1. Large-scale farming might be better suited when producers must compete in overseas export markets that have very stringent quality requirements and demand backward traceability of output all the way to the farm level, which may be difficult in smallholder farming.

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### 13.15 REFERENCES

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### 13.16 QUESTIONS FOR REFLECTION AND PRACTICE

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1. Write short notes on the meaning of commercialization.
2. Illustrate the shifts the humans have made from a life of hunting and gathering to commercialism and consumerism.
3. Spell out the positive and negative aspects of commercialization.
4. How do you explain the impact of commercialism on families and economies?
5. How do you interpret the impact (pros and cons) of commercialization on large-scale farming and smallholder farming?