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Article for publication:

What are the benefits of Foreign Direct Investment(FDI) in Retail to the Farmers of India?

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For hundreds of years, Indian farmers are dependent only on adthiyas, Lalas and commission agents to market their produce. Farmers are familiar about the exploitation in the marketing system. The adthiya charges 10% commission for the auctioning and deducts 10% on the pretext quality deficiency. The farmers incurs over 3% - 5% expenditure to take the produce from his field to the market yard on packing, loading, unloading, transport and other incidentals. 25% net Loss is incurred by farmers within few hours of commencing marketing.

The exploitation by the adthiya is notorious throughout the country. In many states the electronic machines installed by government never work. They are damaged at the instance of Adthiyas. In many states including Andhra Pradesh the market yards are controlled by political elements. The adthiyas and the officials share their ill-gotten money with the chairman of the market yards. If the political party changes the illegal money will go to the newly nominated chairman. In this manner the adthiya, official and political nexus have become a permanent exploitation system of farmers!

When the farmer goes to the market yard the price existing previous day is never paid. The Adthiya/Lala reduces the prices on various pretexts including glut in the market, reduced demand, fall in national and international prices and other excuses.

In many parts of the country the auctioning commences in the early hours when there is no light. The weighing machines are not in working order. The auctioning system is done under a cloth. In Oddanchatram, near Dindigal in Tamilnadu the largest vegetable market in south India the auctioning commences in the night from 7.00pm onwards. The market yard officials are rarely present in the market yard when the auctioning is taking place. The farmer is left to the mercy of the Adthiya, auctioning agent and Hamalies.

The adthiya do not give official receipt to the farmers. The prices in the market yard are never known to farmers. The adthiyas evade huge sales tax as well as income tax and there is a huge revenue loss to the state government and income tax department as all the transactions are illegal and are not recorded.

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The market reforms initiated by Dr. Manmohan Singh are great God Sent opportunity to the 600 million farmers as well as 1200 million consumers. The farmers now has alternative options to sell their produce to the retails or processing industries or exporters and also can do online trading. This will increase tremendous competition amongst the buyers.

FDI in retail will be helpful to farmers, as it will establish producer groups and arrange for MOU between the farmers and retailers. The Government of India Agriculture Technology Management Agency Program (ATMA) has already established few million Commodity (Producer) Interest Groups/CIGs. The existing CIGs as well as farmers Associations working under Commodity Boards, farmers Clubs, Co-operatives will establish long term Agreement with the retailers.

As the retailers require quality product in huge quantities he has to arrange for extension services, provide quality inputs and also arrange for packing at the farm gate in the village. The retailer will also need to establish cold chain or pre cooling units for perishables to avoid wastages.

The contract farming will enable farmers to bargain for an assured Minimum price linked with quality and quantity. He will also be able to get traceability and group crop insurance. Direct procurement will eliminate 3-4 middlemen who are now taking away 40% -50% commissions without any value addition. In this way it is a will win situation for farmers, retailers and consumers. It will also enable Indian speciality goods viz. Mango, Lichi, Chillies, Durram Wheat, BPT/Ponni Rice to be marketed as branded products in International markets. There is need to permit more retails in newly developing urban conglomerates. FDI will keep under check the highly exploitative Adthiya system.

Reforms in farm sector includes getting best technologies in the world to improve our productivity. Farmers must understand that technologies are available to control pests and diseases, water stress, brining alkaline and saline soils under cultivation. Farmers should also demand for crop protection, vaccines for their cattle, seed for quality fodder etc.

Reforms must include removing controls, allowing exports and encourage Private Sector in Rural Development.

Let us demand GOI to establish a statutory Authority to take care to avoid unhealthy practices by the MNCs. Farmers across the country must immediately convene Grama Sabhas and pass resolutions and write to the Prime Minister & all other Political Leaders demanding implementing FDI in retail.

Please send your comments to cifa_delhi@yahoo.com