

THE ASIAN AGE

THE BIG STORY

GROWING IN INDIA: FOOD FOR THE WORLD

By ANAND GIRIDHARADAS
International Herald Tribune

Jallowal (India) May 30: Within days, the monsoon will arrive in India. If generous, it will lend another year of survival to hundreds of millions of villagers. If miserly, crops will wither and bankruptcy will run virally through the villages. One-tenth of humanity resides in rural India in villages haunted by the perennial spectre of harvesting too little food. But now a country that long struggled to feed itself is making preparations "to feed" the world.

Multinational companies from Wal-Mart to Rothschild Group to PepsiCo are wagering that India could parlay its tropical climate and the latent energies of hundreds of millions of farm dwellers into a position as an agri-business powerhouse, exporting fruits and vegetables, spices, flowers, wine, ice-cream, poultry, shrimp, fish and even pasta.

"To my mind, this opportunity of agriculture is an opportunity which is larger than telecom, which is larger than IT," said Mr Rakesh Mittal, vice-chairman of Bharti Enterprises, a \$16 billion Indian holding company that is heavily invested in both telecommunications and information technology.

Bharti runs a mobile phone company with 22 million subscribers and has new-economy interests ranging from call centres to offshore software development.

But in a strategic shift, the company recently announced that it was investing with Rothschild Group, a European private equity group, in a venture called Field Fresh, which will export onions, chillies, okra and other vegetables to western retailers, including Tesco of Britain.

The venture has already leased 1,860 hectares of land and sent its first shipments to Europe. It expects to be a leader in an Indian food export market for fruits and vegetables that the company expects will reach \$5 billion by 2011.

"India has become the back office of the world," Mr Mittal said during a recent interview at his head-



At work: A labourer gathers (right) chillies at a farm in India owned by Field Fresh, a joint venture to export fresh produce to western retailers like Tesco. (IHT)

quarters in Delhi. Referring to business-process outsourcing, he added: "What we are trying to create here is BPO in the agricultural sector. We will grow for the world."

The vision is to link India's small farmers to global supply chains in agriculture, just as its software writers and call centre workers have been linked to other segments of the global economy. Farmers would move from staples like wheat to higher-value crops like okra and onions, alphonso mangoes, spices, shrimp, Darjeeling tea, long-grain basmati rice, cashew nuts, milk and buffalo meat.

Big companies, foreign and domestic, would aggregate the crops harvested from scores of small farms, process them into value-added products like sausages or fruit purees, and get them to western hypermarket customers through a "cold chain" of refrigerated trucks, ocean vessels and cargo planes.

Because land is the only thing most farmers possess, the companies probably will be prohibited from acquiring it. Executives say they will focus on working

with farmers rather than replacing them. The vision parallels what is happening in another emerging economy — Brazil, and it is attracting powerful patrons. Large investors and corporations are seizing on Indian agribusiness as an emerging market within the emerging market, with twin opportunities to feed a growing middle class here and to export premium Indian produce overseas.

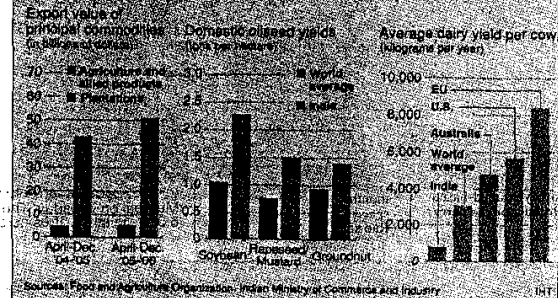
The Manmohan Singh government is backing the idea enthusiastically for it holds a potential solution to one of India's gravest challenges, which is to spread prosperity to the two-thirds of Indians who live in villages and have largely been bypassed by more than a decade of economic growth.

"I see immense opportunities for private enterprise in the transformation of agriculture," Dr Singh said in a speech last year. "There are opportunities both for supplying inputs and for processing and marketing the agricultural produce." He spoke of India "becoming a new granary of the world".

In a report commissioned last year by the Indian ministry of food processing

Unfulfilled potential

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industries, the Dutch lender Rabobank projected that India would double its share of global food and agricultural exports to 3 per cent from 1.5 per cent in the next decade with the value of exports soaring to \$30 billion by 2015 from \$8 billion in 2003.

To be sure, obstacles remain. Wealthy countries have yet to dismantle the agricultural subsidies and other trade barriers that would make Indian farm exports more affordable.

"There is a risk in leaders' embracing agribusiness too fervently, given widespread concerns that big companies will exploit farmers. Critics say companies will take over operations by lease and gradually replace small farmers with cheap migrant labour and mechanisation."

They cite numerous instances of farmers falling into debt, even killing themselves, because companies coaxed them to buy expensive seeds that never delivered the yields promised.

"They see the profit here," said Mr Devinder Sharma, a writer and frequent critic of agri-business in Delhi. "They're not coming to

help agriculture." Above all, the critics accuse global corporations of seeking to siphon food away from Indian mouths — an emotive charge in a country that is home to 57 million of the world's 146 million malnourished children.

Some experts argue, however, that malnutrition is caused more by the lack of purchasing power in rural communities than by the lack of food.

"The question is whether exports will offer families a better market for their products," said Ms Dina Umali-Deininger, an agricultural economist at the World Bank.

Farm exports, she said, "will help families because they have more income to feed their children and that will reduce malnutrition". Today, multiple forces prevent small Indian farmers from gaining access to wealthy countries' markets and the country's farms remain places of unrealised potential.

Global investors are pouring money into ventures to export Indian farm goods or exploring ways to do so. The trend is fuelled in part by the growth of a large Indian middle class. More-

over, companies interested in serving that market are betting that they can use their foothold in India to cater to the world.

PepsiCo has designated India as a farm-products hub for all of Asia.

The company was originally forced to export farm products from India in the late 1980s as a condition for selling soft drinks in the country. But now the company has decided that what was once its obligation is now a profitable business opportunity, said Mr Abhiram Seth, executive director for exports in India.

The company is contracting with Indian farmers to procure seaweed, potatoes, chillies, tomatoes and oranges for export. Jallowal, a village in Punjab, in northern India, is one of the only places outside the United States that PepsiCo has chosen to transplant the Florida and California oranges used in its Tropicana brand of juice. The company aims to export orange-juice concentrate to its operations across Asia.

PepsiCo sells farmers saplings, trains them and contracts with them to buy their harvest at an agreed price.