

News monitored for: Pepsi - Corporate

# The Telegraph

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## Experiment that protected 6500 farmers from a curse

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**Binola (Howrah), Dec. 5:** The Trinamul Congress and the Left, the principal political formations in Bengal, have opposed foreign direct investment in retail. Among the many fears expressed by the two is one that small farmers will be crushed under the feet of multinational giants, who will monopolise the market.

The debate comes in the middle of a potato crisis in Bengal where marginal farmers are staring at a pile-up in cold storages and a flood of the fresh crop from Punjab.

Those who swear by small farmers have been unable to do much, other than take token measures, as the farmers' price nosedived to 90 paise a kg in several parts of Bengal.

But around 6,500 farmers in Howrah and five other districts of south Bengal appear to have weathered the potato price plunge. They share a common factor: they all supply their crop to the Indian unit of PepsiCo, a multinational.

Comparisons with retail are odious. But the example does suggest that if professional practices are encouraged and rules are followed, everyone down the line benefits.

**The Telegraph** looks at the experiment in Bengal, under which a group of farmers is growing potatoes in Howrah's Binola village, around 40km from Calcutta.

Their crop has come to be known as "Pepsi potatoes", which go into the making of the chips that many munch while debating the pros and cons of foreign direct investment (FDI).

### ARGUMENT

FDI will crush small farmers.

### At Binola

Ask Mintu Koley, one of the farmers. Since Mintu joined the Pepsi project a few years ago — there is no contract binding the farmer and the company but the relationship is built through vendors — he has been able to replace his hutment with a pucca structure, put his children in school and buy some land.

### ARGUMENT

FDI will leave small farmers with little option but to agree to low prices.

### At Binola

Mintu said he hoped to make a profit of Rs 21,000-24,000 per acre this year by growing for Pepsi a chip-grade potato that is lower on sugar and water content than the local variety. In contrast, he stands to clock a loss with the local variety, whose price has crashed. "I am going to suffer a loss over the regular crop grown last year," Mintu said.

Potato is harvested in February-March and kept in cold storage for sale and consumption round the year. Farmers

in Bengal will suffer a loss of around Rs 8,000-10,000 an acre if they sell now the crop harvested earlier.

But Pepsi buys the crop through the vendor at a fixed price. At the time of the harvest, the Pepsi price was Rs 6.1 a kg — at least 50 per cent more than the then wholesale price for the local variety and far higher than the prevailing rate, which is below Re 1.

Another decisive difference is that the vendor picked by Pepsi pays up as soon as he buys the crop from the farmers.

This is in marked contrast to the prevailing practice in Bengal's villages, something those claiming to champion the cause of farmers have blanked out of their radar.

Hear out Bhanu Koley, another farmer. "I sold the potato (regular grade like  *jyoti*  and  *pokhraj* ) to the local  *mahajan*  following the harvest. He would pay me only after selling in the market. He put it in the cold storage to sell later. Now prices have crashed and he is not paying me."

Farmer Baidyanath Das, who tried out "Pepsi  *aalu* " on 5.5 bighas last year, wants to expand now. "I have 7 bighas where I want to grow this variety but the company could not offer me seeds," he said. In that region under Amta block, 300 farmers are cultivating for Pepsi on 180 acres.

Pepsi vice-president

Partha Gangopadhyay said he expected to procure more from Bengal next year. "We lifted 40,000 tonnes last season. It would be 60,000 tonnes this season," he added. Agro-division head Pratap Bose said more districts would be added to the sourcing map.

Swarup Hazra, a vendor, said he expected 100 more farmers, whose cumulative holdings will be around 50 acres, to join him next year.

Not that Pepsi is undertaking the project for charity. The company is assured of quality potatoes — the same variety is otherwise available in Punjab. But ferrying it from there to the chips factory in Sankrail in Howrah will add to its costs.

### ARGUMENT

FDI will wipe out intermediaries.

### At Binola

Pepsi uses the services of at least 150 "vendors" to procure the chip-grade potato. The company enters into an agreement with these vendors, who can be traders, pesticide dealers, a local panchayat leader or even a big farmer. Pepsi helps the vendors get loans from the SBI to enable the farmers to buy seeds, pesticide and sacks, triggering a chain of events. (See graphic)

Some vendors said they earn around Rs 5 lakh a year from the potato programme.