

OUTLOOK
Business

cover story | AGRI BUSINESS

FIELDS OF CHANGE

From Punjab to Maharashtra to Karnataka, small farmers are breaking ranks to sign on with corporates. And what's driving them to do so is not so much spiel as pure common sense

SANGEETA SINGH AND ASHISH GUPTA

When Harsharan Singh Khandhole, a sturdy 36-year-old Sikh farmer from Chamkaur Sahib village in Punjab, some 350 km from Delhi, decided eight months back to add an obscure potato variety to his regular wheat and rice crops, courtesy a pact with Mahindra Agri-Business (formerly Mahindra Shubhlabh), it was dismissed as an eccentric quirk by most in his village. Soon enough, when Khandhole began planting the special tuber using agronomic practices unheard of in the area (and unaffordable by local income levels), they knew something new was up. What they learned after quizzing the farmer sent them in droves to sign on with the strange new corporate benefactor.

Some 80 km away, in Ladhra village on the outskirts of Jalandhar, something similar happened when Sukajit Singh Aulakh shifted to growing high-quality basmati rice under contract. Only, this time round, the 'benefactor' was different—cola major PepsiCo.

Across many states of the country—Gujarat, Punjab, Maharashtra, Karnataka, Uttar Pradesh, Haryana, and Andhra Pradesh—numerous such stories are coming to the fore. Whatever the variation, the underlying theme is the quiet revolution that is sweeping the country's farming communities, with age-old cropping patterns and traditional production techniques being discarded for new ones. Also, the debilitating atomisation of individual farmholders that was for long the bane of Indian agriculture is being bypassed, courtesy the rise of contract farming. This has paved the way for economies of scale and better-organised marketing practices.

Driving this change is pure economics. Says Abhiram Seth, Executive Director, Exports and External Division, PepsiCo: "While farmers can make Rs 20,000 per acre per annum from wheat and paddy cultivation, the prices can be anywhere between Rs 40,000 to Rs 50,000 in the case of vegetables." Higher still are the returns from citrus fruits such as keenas, tangerines and mandarin oranges (a major input for Pepsi's juice products)—an eye-popping (by earlier standards) Rs 60,000 per acre annually. For the small farmers, this means a quantum jump in income (studies have shown that a single incremental percentage



GROUND ZERO: Women workers of Ladhwal are big gainers

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point gain in output leads to an additional Rs 10,000 crore in the hands of the farmer) and a major accretion to their ultimate purchasing power. Aulakh, the fourth-generation farmer who has leased out three acres of his 50 acres to PepsiCo, wants to start keenu cultivation once PepsiCo nursery plants are ready. Says he: "We get direct access to the market and getting bank loans under kisan credit is easy if you have corporate backing."

Goaded by the needs of the corporate world, villages of Punjab are today switching in a big way to growing beans, snow peas, carrots, okra, baby corn, all non-staple food products that will be sold in the cities at a premium.



Photograph: AMIT KUMAR

Contract farming has given cultivators access to high-yield seed varieties, fertilisers and pesticides, timely information on crop and weather conditions and new farming techniques as well as taken much of the uncertainty linked with transportation and storage logistics out of their hands. This has led to a jump in farm productivity: Potato yields in Punjab have already tripled in the last six years from 16 tonnes per hectare to 54 tonnes.

Rohtash Mal, Chief Executive Officer, FieldFresh Products, a Bharti Enterprises-promoted venture, cites one instance of a farmer in Rajasthan who was so impressed by the results of contract farming in the nearby areas that he offered to lease out another 945 acres of land belonging to him and his rather large, extended family. FieldFresh has leased nearly 4,200 acres of land in Punjab, all from enthusiastic farmers who stand to gain immensely from its horticulture initiative.

The entry of big corporates has also freed small farmers from the cartel of local traders, petty bureaucrats and moneylenders that dominated the local markets. That's not

all. It is also subtly changing the gender equations in the countryside. Women have gained from the entry of corporates into agriculture as well. Moreover, the entry of women into the workforce has meant that the big organisations have had to create sanitary facilities (toilets, washrooms etc) where none existed. The lease model has proven itself especially attractive to the women workers, who earn anywhere between Rs 3,000 to Rs 3,500 per month and have acquired a new importance in the rural workforce. It comes as no surprise then that 70% of FieldFresh employees are women. "Horticulture will employ 70% women on the fields for 300 days in a year. This will generate excess liquidity in

the rural economy and result in women's empowerment," says Rakesh Bharti Mittal, Vice-Chairman, Bharti Enterprises and Director, Fieldfresh.

Stability is a major consideration with most small farmers. Says Vikram Puri, CEO, Mahindra Agri-Business: "While the farmer may not be above chasing profit, he still remains devoted to stability. Contract farming gives that stability and a higher end-product price, and through value additions, opens the window for profit sharing." FieldFresh's Mal terms it the '360-degree assurance' and insists that this is what has been driving farmers to embrace the corporate hug. He explains: "We provide

input assurance (seeds, pesticides and fertiliser), output assurance (a market for their produce), a throughput assurance (monitoring the quality of produce) as well as advisory assurance." Working on another tangent is ITC's e-Choupal, which has succeeded in ensuring that farmers get the information they need to grow quality crops, increase productivity and get better prices. Says S Sivakumar, CEO, International Business Division, ITC, "e-Choupal has brought the power of

scale to the small farmer through appropriate technology and virtual aggregation for transaction efficiency."

But for the likes of Keval Singh, an earthy Sanchalak (the pointsman of the village for the e-Choupal initiative) of Jaffrabad, a village in UP in whose house the company has put up the computer and internet facilities, such jargon is too flighty. He says: "Farmers can get the latest mandi prices of various products, weather reports and best farming practices. They can also seek answers to their problems, which are addressed immediately." Such simplicity is what has the farmers sold on this new green revolution. □

For this Ladhra farmer, signing on with PepsiCo has proved to be a win-win

SUKAJIT SINGH AULAKH,
CONTRACT FARMER