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Pepsico to invest \$500 m in India in 3 years

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Pune, Oct 14: The Indian snack market is all set to get crunchier with Pepsico India deciding to expand its presence and triple revenues in India by 2014. In line with this, the company is planning to increase sourcing of raw materials from contract farming and will be venturing into new areas in Maharashtra and Karnataka. Pepsico will be investing \$500 million over the next three years in the Indian market.

"The company will be adding an additional 1,000 acre in these states from the current level of 7,400 acre to 8,500 acre by March 2010," R Muruganandanam, GM-agro, Pepsico India, said. At present, around 15,000 acre is under contract farming across several states and 11,000 farmers are involved in this.

There are plans to increase this to 18,000 acre by March 2010, he said. Pepsico does contract farming in Punjab, Uttar Pradesh, Bihar, West Bengal, Gujarat, Madhya Pradesh and Uttarakhnad in addition to Maharashtra and Karnataka. The company has three Frito Lay plants in Punjab,

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Ranjangaon and Kolkata.

"The company sources 1.4 lakh tonne of potato of which 70,000 tonne comes from contract farming from 10 states in India. Since only 50% of the raw material comes from contract farming, there is a huge scope to increase acreage," he said. Maharashtra and Karnataka contribute around 31,500 tonne of potato. Of this, 20,000 tonne was from Maharashtra while the rest was contributed by Karnataka, he said. Around 3,400 farmers are involved in this kind of farming in these two states.

In addition to the Kharif crop, the company began to seriously look at the Rabi season as well to increase raw material availability, Muruganandanam said. Kharif currently accounts for 90% of the crop. Rabi trials are currently in

progress in Nashik for the October-November crop and another set of trials is happening in Solapur and Kolhapur. Based on the results, the company will take a final call on whether to go in for the Rabi crop as well, he said. Manchar, Rajgurunagar, Satara and Ahmednagar are the current locations where the company has got into contract farming arrangements with farmers.

An additional 700 farmers will be brought into contract farming arrangement with the company next year. "The company identifies farmers, enrolls them and begins training in the methods to be used for farming. We prefer to bring in the old farmers who have been with us for years to talk to them," he explained.

The company has entered into an arrangement with DuPont Chemical and Bayer Corporation for a protection plan whereby farmers are offered discounts on chemical kits. At present, Frito Lay - the company division that makes the Lay brand of chips uses two varieties of potato seeds. Another five to six varieties are currently under evaluation.