

Private Sector Participation in Indian Agriculture

An Overview

The share of private sector in capital formation in Indian agriculture is approximately three times more than the public sector. This shows the active involvement of the private agencies in the Indian agriculture sector.

According to the Confederation of Indian Industry, agriculture sector in India suffers from poor productivity due to falling ground

water levels, expensive credit, a distorted market, the intermediaries (who increase more cost than adding values), controlled prices, inad-

equated infrastructure, and poor quality of agriculture produce compared to the international standard. Agriculture has also suffered because of farmers wholly depending on the monsoon, poor irrigation facilities, use of traditional practices, farmers' poor economical status, fragmented landholdings, poor yields, lack of post-harvest infrastructure and lack of farm extension. There is an urgent need to invest in infrastructure like irrigation facilities, processing, storage and marketing activities. In this background, it is essential for private agencies to come forward to make the Indian agriculture conditions better and the government to come forward to encourage the public-private participation.

Agriculture research institutes have ample of information on how to improve the productivity of the crops but are handicapped in disseminating the researched information because of the lack of sufficient finance and infrastructure. However, the situation has been changing in recent times. The need is not only to increase the crop production over the periods but also to sustain agriculture which can be done by providing the right information at right time about the agriculture inputs application, and the marketing of agricultural produce at a reasonable price. While the government has social liabilities to uplift the agriculture sector, there are many NGOs, which are actively involved in this sector. The private sector, while having the revenue generating mindset, also takes care of the socio issues.



Gross Capital Formation in Indian Agriculture

As per Central Statistical Organization, the investment in agriculture as percentage of total GDP is very less (Table 1). The welfare government is supposed to provide the right information at right time related to agriculture inputs, the agriculture loans at minimum interest, good seeds, and help the farmers' when the crop fails. This immense responsibility has created a situation where the government finds itself unable to attend every problem of the poor farmers. However the share of private sector in gross capital formation has been increasing over the same period. (See Table 1).

Private Agencies in Indian Agriculture and Models

NABARD, in one of the occasional papers published in 2003, stated that nine non-public sector agencies are mainly involved in Indian agriculture. There are input agencies, large agri-business houses, agri-processing firms involved in contract farming, farmer organizations and producer co-operatives, non-government agencies, media and web-based agri service providers, financial agencies, agri-consultants and informal extension agents.

The private investment in agricultural sector is on the rise and several agribusiness companies have developed new models to reach to farmers. A few models has been discussed here:

- e-choupal
- Tata Kisan Kendra
- Mahindra Krishi Vihar
- Hariyali Kisan Bazaars
- Indiaagriline
- PepsiCo Contract Farming
- Private Media

e-choupal

Traditionally, the farmer bought the agricultural inputs from the market and sold produce to the market through the agents or brokers. In doing so, they paid more for the agricultural inputs and also had the uncertainties to sell produce at the desired or at least the minimum cost which



“Indian agriculture is bouncing back. It is scripting its own success story, thanks to rising private investment, which will lead to a faster growth. Faster growth in agriculture tomorrow will happen because of rising private investment in agriculture today”.

– Y C Deveshwar
Chairman, ITC and
Chairman, CII's Agriculture Council.

could repay their agricultural input costs. Moreover, the farmers also did not get the good return even if the quality of the produce was good.

To solve the above mentioned problems, ITC in June 2000 launched the concept of e-choupals. Initially, it faced a big resistance from agents and the brokers in implementing this concept. This model came into picture because of the challenges faced by Indian agriculture. These challenges are fragmented farms, weak infrastructure and the involvement of numerous intermediaries and marketing of the produce in a reasonable price. But ITC made these agents as the important element in its value chain called as *Sanchalaks* who now supervise and coordinate the activities in e-Choupals. Thus ITC deleted *Pakka* (large traders) and *Kacca* (small traders) from the traditional value chain.

ITC has now 4100 choupals in six states, covering 23,000 villages, providing services to 2.3 million farmers. It targets to cover 1 lakh villages, 25 million farmers, and to establish 20,000 more e-choupals in 15 states by 2010. It basically utilizes the information and communication technologies to deliver the farmers needs related to cropping information, commodities pricing. It also procures the agricultural produce at the assured price for the quality product and decreases the wastage in weighing and procuring crop produce from the field to the factory. In a nutshell, e-choupals:

- Makes the agriculture supply chain more efficient and enables in delivering a value to its customer.
- Eliminates the existing marketing inefficiency in agriculture marketing due to multiplayer structure of intermediaries.

Table 1: Gross Capital Formation in Agriculture at 1993-94 Prices (Rs. in cr)

Year	Public	Private	Percentage Share		(% of GDP Contributed to Agriculture)
			Public	Private	
1995-96	4849	10841	30.9	69.1	1.6
1996-97	4668	11508	28.9	71.1	1.5
1997-98	3979	11963	25.0	75.0	1.4
1998-99	3870	11025	26.0	74.0	1.3
1999-2000	4221	13083	24.4	75.6	1.4
2000-01	3927	12979	23.2	76.8	1.3
2001-02	4127	13201	23.8	76.2	1.3
2002-03@	4538	14119	24.3	75.7	1.3

@ Quick estimate

Source: Central Statistical Organization

- Provides good infrastructure and technologies to cater the agriculture sector.

Tata Kisan Kendra

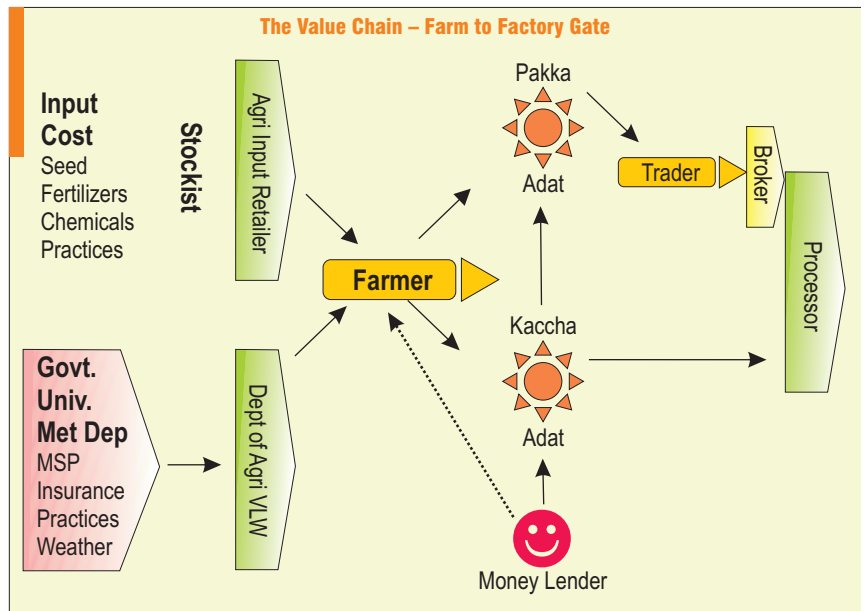
Tata, which always pioneer in the cause of social upliftment, has launched Tata Kisan Kendra under the supervision of Tata Chemicals. It aims to change the rural India from bullock-cart age into the era of satellites and IT. It has a wide network in the different states like UP, Punjab and Haryana. The complete network is managed by mother Tata Kisan Kendras and its franchisees. Some of its services are:

- Tata Kisan Kendra provides different services like agro input service, farm equipment leasing, agronomy services, training and information. Tata Kisan Kendra provides the seeds, pesticides and fertilizers at affordable prices.
- It is a unique model in the history of agriculture as it helps in soil analysis by the use of remote sensing technology. Tata Kisan Kendra uses satellite mapping and geographical information systems and provides a complete antidote to farmers' problems.
- Each Kisan Kendra provides the contemporary information through magazines and journals. It has also established crop clinics to provide the information regarding which crop to grow, when to grow and the specific amount of nutrients required.

Mahindra Krishi Vihar: One Stop Shop

Mahindra Shubhlabh Services Ltd. (MSSL), a subsidiary of Mahindra & Mahindra Company, has been operating in 11 Indian states and has encashed the brand name of Mahindra, its dealer network and tractor customer database.

The product portfolio of MSSL varies from agriculture inputs to output marketing services. It sells quality seeds, fertilizers, and pesticides and buys the agriculture produce on contract. In addition to this, it leases tractors and harvesters. It encourages farmers to take up contract farming, whereby farmers sell



the produce directly to the institutional sellers.

Hariyali Kisan Bazaar (HKB)

HKB, the chain of agri-input retail stores, has been promoted by DCM Shriram Consolidated Ltd (DSCL). The first HKB was established in the village of Del Pandarva (Dist. Hardoi). Among its services are:

- HKB stores offer a complete range of agricultural inputs like seeds, fertilizer, pesticide, agricultural equipment at the fair prices.
- It provides irrigation equipment, easy crop financing and technical guidance related to crop production. It also provides the credit facility at the reasonable interest rate and without hassle.

DSCL is involved in the agricultural extension activities and helps the farmers in providing scientific knowledge by its Shriram Krishi Vikas Kendras (SKVK) in order to increase the profitability. In an Interview with *Business Line* on June 25, 2004, Ajay S Shriram, Chairman and Senior Managing Director of the company, told that Hariyali Kisan Bazaar would expand its network of stores from 9 to 20 soon.

Indiagriline (EID Parry, Tamil Nadu)

EID Parry Ltd., the private corporation owned by Murugappa Group,

runs Indiagriline. Indiagriline is an effort to provide the hand-on solutions to farming community by its internet kiosks. It has established kiosks around sugar factory in Tamil Nadu and provides a platform to deliver farm extension services. It bridges the gap in rural India by doing so. Moreover, it hopes to serve the bidirectional movement of goods and services from rural area to urban area and vice-versa. The model is run based on franchisee concept, which is the only source of getting the revenue back from the investment made by EID Parry.

PepsiCo

In 1989, PepsiCo started contract farming in India. PepsiCo provides machines and other inputs for tomato, chilli, basmati rice and peanuts contract farming. The practice was started at Zahura village in Hoshiarpur district and now covers different districts of Punjab. Contract farming is one of the options to create a friendly environment within the private sector for agriculture development and extension of services which deals with the system for the production and supply of agricultural and horticultural produce under forward contracts between producers/suppliers and buyers. To win the confidence of the local farmers,

PepsiCo partnered with Punjab Agricultural University (PAU). Because of contract farming in Punjab, the yield of tomato and chilli has increased by three and two folds respectively.

In the views of PepsiCo, land preparation, mechanization of operations, local extension service team, supplying the agricultural equipment free of cost, maintenance of proper logistic system and procurement of the output at the right time are among the key elements of contract farming.

Contract farming in this case can be regarded as rural development solution to improve agricultural productivity along with the promises to provide the assured price. The contractor also gets the quality output and maintains a long-term partnership with the farmers.

However, the contract farming is not successful because of certain bottlenecks. Among these are high transport costs, inadequate cold storage facilities, unreliable suppliers of raw materials etc. Moreover, the government must abolish the taxes, duties on procurement materials and should exempt taxes and duties in the import of agri-equipment which will bring down the input cost.

Private Media

There are several private media which disseminate the information to the target audiences like agricultural graduates, farmers, agri-entrepreneurs etc. A few examples are:

- *The Hindu* allots one page for agriculture on every Thursday.
- *Teja TV* in AP telecasts live phone programs on agriculture.
- *E-TV* telecasts a daily program on agriculture in local languages.
- www.agriwatch.com releases the newsletter on agriculture.
- ikisan.com provides the agriculture related information by internet kiosks.
- Websites like ikisan.com, krishivihar.com and agriwatch.com provide information on the production and marketing of agricultural commodities.

Government Initiatives

Both the central and state governments have taken many steps to en-

courage private participation in agriculture. A few of them are:

- In 2000, the Madhya Pradesh government had decided to privatize the state-owned farms to make the agricultural sector efficient.
- Uttaranchal government has initiated agricultural extension and development with the participation of NGOs under the World Bank Assistance Agriculture Development Project. This is the only state which is using the services of NGOs for implementing organic agriculture.
- The concept of Agri-Clinic by NABARD is praiseworthy as NABARD helps in providing bank loans once the feasibility study of the project is approved. Only agricultural graduates are eligible for these loans and it encourages them to establish agri-clinics once they are trained in business development. Thus, financing for the establishment and the training by the government institutes or departments like ICAR, MANAGE etc., help these graduates to provide the better consultancy and the extension services to the poor. By June 2003, there were 553 established agri-clinics.
- The new agricultural policy of India has focused on the greater private sector participation through contract farming. In the policy it has clearly been stated, "Private sector investments in agriculture will be encouraged more particularly in areas like agricultural research, human resource development, post-harvest management and marketing."
- The UPA Government has launched two schemes i.e., Grammen Bhandaran Yojana and Development of Marketing Infrastructure, Grading and Standardization of Agriculture Scheme. These two projects aim to attract the private investment. Like, the Grammen Bhandaran Yojana aims to create the facilities in rural areas and in this case, the subsidy will vary from 25 to 33.3% of the capi-

tal cost of the projects based on the states and SC/STs entrepreneurs.

Future Outlook

The existing private participation in the agriculture sector will help in building the image of this sector in the map of the world. By doing so, the agriculture sector will also increase the contribution to the GDP which is decreasing the GDP share every year. The private participation is necessary as the government cannot take care of everything. It is not always rational to blame the government as it has limited funds. The need is to create an environment whereby the general people must invest in this sector. Not only the big private agencies but there are also some NGOs which are actively involved in the agriculture sector which take care the socio-economic issues like AFPRO (Action for Food Production), BAIF (Bharatiya Agro-industries Federation), PRADHAN (Professional Assistance for Development Action) etc. Thus, the journey has already been started but we have to go a long way and can hope a brighter future for agriculture.

Conclusion

Both private and public sector are contributing to the agriculture in a big way. However, there are many things that have to be implemented, especially concerning the financing aspects. The need is how to make the agricultural sector more attractive for private sector to invest. However, it is very difficult to measure the success of each models discussed in the article. However, one can only hope that the scenario will change and the poor farmers will be taken care. There are many other models, which are not possible to elaborate here but what is the true essence that the Indian agriculture needs proper implementation of government policies and a proper environment for private sector. Let us hope for the best in coming years for the Indian agriculture. 🌱

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