Impact of fdi to farmers in india

Business, Industries

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ABSTRACT

The goal of this paper is to examine the opportunities, challenges, responsibilities and recommendations for Foreign Direct Investment (FDI) impact on farmers in India. Since last two decades India is the attractive and profit oriented market for the investment to developed countries.

FDI is an easy path to enter the market of developing countries as India which has vast consumer market, big retail sector, reach aggregate demand, inadequate domestic supply, weak infrastructure, lack in technological background, political instability, low GDP, poor management skill, sick investment promotion strategies, government outlook towards investment, inadequatefinanceand unemployment all these factors are responsible for the attraction of developed countries about FDI in India.

This paper will give a brief explanations regarding how FDI is going to help farmers in India in sectors like Agriculture, Seed production and Retail sector in India and the conclusion part will show that India needs FDI but it must help everyone in India to be benefited.

KEY WORDS; FDI, Agriculture, Seed production, Consumer market, Aggregate demand, GDP,

1. INTRODUCTION

Today the hot most debated topic and emotive reactions are because of FDI in India is one of the most stirring and promising markets in the globe. Technical and Skilled human resources are the finest available in the world.

Private sector is the lifeblood of economic activity in India which is energetic and well spirited. Middle class population of India is greater than the population of the USA or the European Union which provide India a key place in International competition. Starting from a baseline of less than $1 billion in 1990, India reached more than $24. 2 billion to FDI in 2010. A recent UNCTAD survey projected, India as the second most important FDI destination (after China) for transnational corporations during 2010–2012. The significance of FDI is rising heavily due to its all round contributions to the growth of economy.

FDI in developing countries like India will help to improve the current GDP. And in India Agriculture is an important sector of Indian economy and accounts for 15% of the Indian gross domestic product (GDP) Agriculture is the backbone of Indian economy if farmers are happy the entire country will move to a success path ahead the role of FDI must benefit the farmers as to go to a strong economic path the farmers must not only produce and sell their product but must make a value added product and the role of FDI must make farmers of India to turn as an entrepreneurs.

2. FDI IN AGRICULTURE

The FDI inflows to Agriculture services are allowed up to 100% and allowed through the automatic route covering horticulture, floriculture, development of seeds, animal husbandry, pisciculture, aquaculture, cultivation of vegetables, mushroom and services related to agro and allied sectors. Agriculture is the main stay of the Indian economy as it form the backbone of rural India which inhabitants more than 70% of total Indian population. Only in tea sector 100% FDI is allowed with prior permission.

In a statement the department of industry policy and promotion in the ministry of commerce and industry said that FDI policy vide press note 4(2006series) dated February 10 2006 was rationalised. Further it requires company divestment of 26% equity in favour of the Indian partner or Indian public within a maximum period of five years. This also requires approval from the concerned state government in case of change in use of land for such activities.

3. ALLOWANCE BY INDIAN GOVERNMENT

Farm credit target of 2’25’000 crore for the year 2007-08 has been set with an addition of 50 lakh new farmers to the banking system. * 35 projects have been completed in 2006-07 and addition irrigation potential of 900000 hectares to be created and training of farmers arranged. * A programme for delivering subsidy directly to farmers has been arranged. * Loan facilitation through Agricultural insurance and NABARD has also been facilitated * Corpus of rural infrastructure development fund has been arranged.

4. FDI IN RETAIL (PROS&CONS TO FARMERS)

FDI in multi brand retail will boost investment in cold chain facilities and bring down post harvest losses which benefits farmers. India is 2nd largest vegetables producer and 3rd fruit producer if FDI steps in to India the post harvest loss will be in control so to prevent the losses we need investment in the cold chain so more investment to set up such facilities will come with entry of FDI this will benefit both farmers and consumers. 3% of fruits and vegetables have been wasted in India where in Australia are the worlds No 1 in this where only 1% is wasted. India has only 5, 300 cold storages so by increasing the well organised supply chain management the wastage can be controlled. So after giant retail companies stepping up to India the problem can be reduced. The company like Wal-Mart supply chain management is huge and perfect so the losses can be prevented

5. ADVANTAGES

- India has 600 million farmer’s 1, 200 million consumers and 5 million traders both the consumer is benefited by FDI. In Mandi system does not favour farmers because they lose 5% of the value in transportation, 10% in broker commission and 10% in quality parameters so direct purchase by large retailers will solve this problem
- Many village farmers face very difficult to market their product because it takes long distance to travel which includes expenses like transport and labour problem is growing very high so to stop this FDI will make a change.
- People acquire goods and services at low prices, Savings are possible from routine transactions and Deposit increases from domestic. Good flow ofmoneycertainly lead towards sound position of host country.
- The role of FDI in job creation and conservation is found more favourable . Good inflow of FDI creates new employments in industries and market sectors of host country.
- FDI increases the industrial productivity. With the step of large output, India will boosts exports where the foreign exchange will be high.
- FDI improves the GDP rate better GDP rate repairs living standard of peoples in host country. If farmers get the money immediately after the harvest they can get ready for the next cycle of production.

- With the entry of foreign direct investment, the Indian organized retail market has become more competitive in terms of implementing newer business models on the operational format and pricing and reinventing and improving the supply chain.

6. DISADVANTAGES

- If directly taken from farmers what products will come to local market.
- Foreign companies always try to achieve quick and large refunds on their invested capital. They take interest only in profit oriented ventures and neglect domestic and traditional business from investment
- Problem of employment in rural area is not adequately solved. Most of the population of India is lived with unemployment in rural region. FDI favours only urban regions for the investment and neglect rural & backward regions.
- Indian politicalenvironmentis not constant. Business policies are affected with the change of political environment. It will not create smooth and fine running FDI policies and benefits to farmer.
- India will become a slave to foreign countries.

7. AGRICULTURAL RETAILING

As a 2008 ICRIES study of the impact of organised (but Indian owned) found for example, Average price realisation for vegetables is if farmers are selling directly to organised retail is about 25% higher than their products sold to the regulated government mandi. The companies like Bharti Wal-Mart direct purchase from farmers also believed to have augmented incomes by 7 to

10%. Indian government and farmers work alone will not be enough retail chains will have to work with agricultural scientists and farming communities and determine the type and quality of production that will be appropriate for their markets.

There will be a process of mutual learning for example in Gujarat the sourcing of certain types of potatoes by Mceain foods using contract farming arrangements is an indicator of opportunities. There has been a lack of investment in the logistics of the retail chain, leading to an inefficient market mechanism in the economy. Though India is the second largest producer of fruits and vegetables (about 180 million MT/annum), it has a very limited integrated cold-chain infrastructure, with only 5386 stand-alone cold storages having a total capacity of 23. million MT. where 80% of this is used only for potatoes.

The chain is highly fragmented and hence, perishable horticultural commodities find it difficult to link to distant markets, including overseas markets, round the year. Storage infrastructure is necessary for carrying over the agricultural produce from production periods to the rest of the year and to prevent distress sales. Lack of adequate storage facilities cause heavy losses to farmers in terms of wastage as well as selling price.

8. FDI IN SEED PRODUCTION

In Agriculture sector FDI is permitted in the development and production of seeds 100% FDI is allowed in fertilizer under automatic route in India. FDI inflows to fertilizers are beneficial for the expansion of the seeds and fertilizer industry in India. But in India the impact of seed companies have created huge loss to the farmers. The genetically modified seeds which is allowed in India since the year 2002.

9. IMPACT OF BT SEEDS

The entry of BT (Bacillus thuringiensis) seeds has created huge loss to the Indian Agriculture and Farming society. The genetically modified BT seeds which has capable to produce its own insecticide.

After the entry of BT to India thepovertyand many death rate of farmers increased particularly after the entry of the MNC company (Monsanto) in 2002 for every 30 minutes a farmer in India dies especially after the introduction of BT cotton . Compared to traditional seed genetically engineered seeds are very expensive and have to be repurchased every planting season. Genetically engineered plants require more water for growth and more pesticides than hybrid or traditional cotton seeds. This seeds were heavily marketed in India using film stars and with a price tag 4 to 10 times expensive than hybrid seeds.

The total percentage of FDI Inflows to Fertilizers industry in India stood at 0. 26% out of the total foreign direct investment in the country during August 1991 to December2005. Prior to hybrids Farmers were able to harvest their own seeds from each crop to be planted next season. However many genetically engineered seeds contain terminatortechnology, meaning they have been genetically modified so that the resulting crops don’t produce viable seeds of their own. So as result new seeds must be purchased from the top companies. As a result farmers pay high price because the farmers thinks that they can save the money on pesticides.

India has a traditional farming techniques were India have taught great farming techniques to the entire world. But so far now 2 lakh farmers have been committedsuicideparticularly the highest in Maharashtra state. The entry of Monsanto an American based multinational company has destroyed 25% of farmers living in India. The most important is the turnover of Monsanto is 25 thousand crores which is high than India's agricultural budget. So if we allow this type of companies like Monsanto through FDI after few years the total Indian economy will be in trouble. Table 1

Source: Face sheet of Foreign Direct Investment (FDI) from April 2000 to March 2011

10. CONCLUSION

To conclude this paper on FDI impact on farmers is likely to ensure adequate flow of capital into rural economy in a manner likely to promote the welfare of all sections of society, particularly farmers and consumers. It will bring about improvements in farmer income and agricultural growth and assist in lowering consumer price inflation due to the current scenario of inefficient supply chain, lack of proper storage facilities and presence of multi-level intermediaries between farmers and direct consumers.

FDI- driven " modern retailing" being a direct interface between farmers and retailers trigger a series of reactions which in the long run rural sphere can be one of the justifications for introducing FDI in agricultural retailing but the government should put in place an exclusive regulatory framework.

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