

KISSAN VIKAS CHAMBER PUNJAB (Regd.)

Block-C, Aerocity, Mohali to International Airport Road, Mohali

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Respected,

**Shri Narender Modi Ji,
Prime Minister of India,
New Delhi.**

Sub:- Allowing Foreign Direct Investment in Agriculture retail Sector.

Sir,

This is to bring to your kind notice the hardships faced by the farmers while disposing of their produce in the market by not getting the remunerative returns due to inherent shortcomings and defects in the existing marketing system. An Indian farmer gets just one third of the price of his produce of what the end consumer pays and if the crop happens to be a bumper one, then he does not get even one sixth of the consumer price. This is due to the most evident fact that there are too many intermediaries between the Indian farmer and the ultimate consumer. The countries where the agricultural marketing has been streamlined to near perfection, the farmers get two third amount of the consumer price. If we are to give a fair deal to the farmer, then the number of the intermediaries will have to be curtailed. Moreover, the lack of proper infrastructure to prevent the decay especially of the perishables (Fruits & Vegetables) results in the gross wastage up to thirty percent of the total produce. The remedy lies in bypassing the most of the middlemen and facilitating the farmers to sell their produce directly to the retailer.

The retail market in India is very much fragmented and unorganised. The smooth and rewarding link between the farmers and retail sector can be formed if the latter put adequate capital investment in creating a proper infrastructure which may include all the following post harvesting operations.

- 1) Proper techniques for harvesting of the crops.
- 2) Waxing, grading and packaging in the Pack Houses.
- 3) Systematic cold chains till the produce reaches at the properly conditioned warehouses of the retailers.

The above steps are bound to prevent the gross decay of the farm produce (nearly thirty percent) which occurs in the present system of marketing and at the same time providing hygienic and healthy food to the consumers. The prevention of the decay of the crops will increase the quantity of the farmer's marketable produce and thus increasing his gross sale and profit. With the elimination of so many intermediaries who earn a lot of profit in the present system, a lot of money will become available to provide remunerative price to the farmer and at the same time keeping a reasonable price line for the consumers also, thus keeping food inflation in check. Moreover the creation of the above

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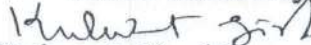
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infrastructure will provide good opportunities of the employment to rural youth. It is heartening that to note that to achieve this end, many big industrial houses like Tata Chemicals & Farm fresh, Reliance fresh, Bharti food, Metro food and many others have taken initiatives to set up their super stores. But this is not enough as not much has been done to create the much needed infrastructure outside their super stores. We need much more capital investment in this field. This is the proper time that we should think about allowing the foreign direct investment in our agriculture retail sector even with 100 percent equity. FDI has already been allowed since 1991 with up to 100 percent equity under automatic route subject to certain conditions under consolidated FDI policy. They have invested in the fields of floriculture, horticulture, apiculture, cultivation of vegetables and mushrooms under controlled conditions, animal husbandry, production of seeds and plant material, pisciculture and aquaculture under controlled conditions and services to agro and allied sectors. According to a report in the 'International Journal of innovative research and advanced studies' published in January 2017 in volume 4 issue, it has been very explicitly explained that in India, there exists a positive relation between increase of the investment in FDI and in the increase in the agriculture GDP and has come to the conclusion that since 1991 up to 2014, the GDP has increased by 49 percent with 1 unit increase in FDI. FDI inflow in the years 1991-95 was just 8584.97 million dollars and increased to 453900.14 millions in the years 2011-14 and from 887205 (rupees in crores) in 1991-95 to 5050372 in 2011-14. As the FDI in the past has played its role in enhancing the agriculture GDP and in the same way these investments may consolidate the unorganised and fragmented agriculture retail sector which is still in the stages of finding its feet as till now it is being dominated by intermediaries who do not provide any transparency in pricing and this lack of transparency has led to monopolistic tendencies.

It was a commendable gesture on the part of the Government to allow foreign direct investment in the food processing in the last budget of the FY2017-18. Government has very recently allowed 100 percent foreign direct investment without any government approval in single brand retail trading. Moreover, it is very heartening to note that in your speech in the recently held meeting of the world Economic Forum in Davos, you very explicitly assured the foreign investors that 90 percent of FDI was being allowed through automatic route. In the same way the government should come forward and allow foreign direct investment with 100 percent equity in the agriculture retail sector also. This gesture on the part of the government will go a long way in ameliorating the lot of the agriculture sector which is now passing through a phase of deep distress. //

Thanking you.

Yours Sincerely,


(Kulwant Singh)

Date: 06-02-2018

President Kissan Vikas Chamber Punjab