Caught in the Potato Skirmish

PepsiCo's retraction from its lawsuit marks the triumph of partisan motives and not farmers' interests.

The furore generated by PepsiCo's lawsuit against a few farmers in Gujarat for alleged infringement of the company's patents over a certain potato variety, has brought home the fact that the very mention of the word "farmer" can turn any issue in this country into a matter of moral outcry. This is perchance an inevitable reaction in a country where over half the population finds its livelihood in a sector that is overwhelmingly skewed in the distribution of the means of production and volatile in terms of income. Herein, the fear of unscrupulous power play by a multinational corporation cannot be dismissed. But this apprehension becomes a matter of concern when it covers the logical mind. More importantly, in this paranoia of creating a "Goliath," we miss out the inept governance of the existing "Saul"—that is, the state—which has pushed agriculture off the track of inclusiveness.

Let us look beyond the legal turf, to some elementary issues. Given the contention that a big corporation is flexing its market power to exclude farmers from their right to cultivate a crop variety of their choice, one is intrigued by the question: Why did farmers, reportedly smallholders in this case, choose a variety that has high marketing barriers, if there was no assured buyer in their backyards?

Farmers collaborating with PepsiCo in states like West Bengal, have frequently mentioned the higher costs of production and lower rate of productivity of the company's processing variety in comparison to the conventional cultivars in the state. Conversely, even assured buy-back by the company has neither hedged them against the risk of rejection when their product failed to meet the company's perception of "quality," nor ensured that the "guaranteed" price set by the company would be at least on par with the market prices, especially when the open markets were firm.

Yet, as per the estimates of the West Bengal Cold Storage Association, the number of farmers entering supply agreements with PepsiCo has increased by almost seven times over the past decade. While these juxtaposing evidences are likely to challenge economic reasoning, they, in fact, act as eye-openers to the ground-level realities. Realities that indicate the dearth of marketing opportunities for the farmers and subsequently explain why they ascribe precedence to "certainty" rather than the "level" of income.

Over the past three decades, potato production has increased by 227%, from 14.86 million tonnes in 1988–89 to 48.6 million tonnes in 2017–18, while consumption—though almost ubiquitous—has evidenced only 22% rise in per capita terms, from 14 kilograms in 1987–88 to 17 kilograms in 2016–17. With a current population of approximately 1,330 million, the (direct) consumption demand for potatoes constitutes barely 50% of the current production.

The perils of supply management are further exacerbated by a general lack of market intelligence services and infrastructure facilities such as cold storages. The current cold storage capacity in the country can accommodate around 70% of the total potato produce, if all these were solely dedicated to potato storage. Again, recent increase in the rate of cold storage subsidy—from 20% to 40% of the total project cost—along with compulsory upgradation to cooling unit technology, would either incentivise more of multipurpose, multi-chambered, energy-intensive storages or dampen the diffusion of the cold storage technology. In both cases, the storages will be unaffordable for the small farmers.

On the other hand, of the remaining 50%, a meagre 6% is used by the processing sector. Despite having received around $7.54 billion worth of foreign direct investment (FDI) between April 2000 and March 2017, the food processing sector in India contributes only 8.39% of the gross value added in agriculture, indicating the dominance of low value-added production. Even policies are in tandem to such production activities. Recall that the reforms for 100% FDI liberalisation is targeted towards primary processing, or more specifically, for mere food retailing.

In the potato processing sector per se, technology transfer, capital inflow and assured marketing of the produce are restricted by the preponderance of informal, small-scale players, who hold more than half of the market share. While entering a contractual agreement with the limited number of organised players can ensure all three criteria, it is also potent that the big corporations will exert their bargaining power to maximise their profits and pay the farmers just their labour costs. But, it is not the truth in entirety. Through the selective (ab)use of the Agricultural Produce Market Committee Act—whether by allowing collaborative farming arrangements bordering on contract farming where it is not legally permissible (as in West Bengal) or in facilitating the setting up of contract where permissible (as in Gujarat)—the state, too, is party to rent-seeking.

Thus, PepsiCo's retraction of the case is not to be seen as a triumph of India's laws on protection of plant varieties and farmers' rights, for—as emerging media reports reveal—there were perhaps no real "farmers" involved in the case. The company had locked horns with regional players to protect its share in the local markets, while the government ensured its partisan election benefits by playing the "farmer sympathiser" card amidst the mudslinging. And in answering the activists' allegations against multinational corporations of ruining the agrarian diversity of this country, one should not lose sight of the role that governments' competitive support price policies and dwindling agriculture research outlays have played therein.