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CORPORATE FARMING - A SOURCE OF CORPORATE GROWTH

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The Indian Experience

Even though corporate farming is not an old phenomenon in the Indian scenario, it has had significant negative effects in a short span of time. It was brought in as an investment and production booster. It now threatens the food security of the nation, as corporate farming mainly involves cropping of cash crops which give more returns per acre and in turn resulting in mono-cultural cropping system.

As case in point is the Large Scale Advanced Farm Project (LSFAP) or The Kuppam Project, which was implemented from June 1997, was the first and most publicized one in this regard in India. Though it had a very good take off, the net result contradicted its own very objective. Kuppam project was supposed to be a contract farming example – instead it resulted in the forceful acquiring of lands by the Andhra Pradesh Government from the farmers, which in turn leased it to M/s BHC

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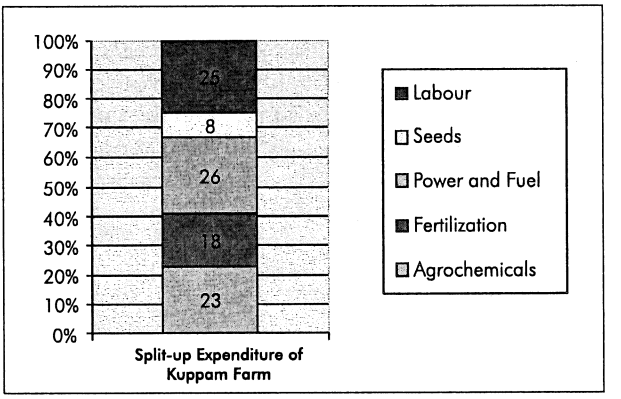
(India) Private Limited, the Indian subsidiary of an Israeli firm. From a contract farm, it transformed itself into a corporate farm. The project was originally envisaged on 200 acres; and over a period of three years, and a total of Rs. 9.63 crores were spent on the farm. The expenditure per acre worked out to be Rs. 4.818 lakhs per acre, which is at least ten times more than those of the richest farmers adopting modern cultivation techniques.



To facilitate the demonstration of contract/corporate farming, "Chaldiganipalle Mutually Aided Co-operative Joint Farming Society" was formed involving 167 small and marginal farmers. However it should be noted that none of the farmers, including the richest among them (owning about 40 acres), were aware of the contract terms, or even with whom they were contracted to. The cropping pattern was also unilaterally decided by the company, which selected short-term crops, mainly vegetables. The guiding principle was maximization of crop income; hence the local food crops were completely eliminated.

The company claimed a gross income of Rs.26, 549 per acre, of which Rs.17,000 per acre was supposedly paid to the farmers directly. Over a period of two years, the government, which acted as the middle man, boasts records of farmers being paid Rs.6, 367 per acre but, in reality, that doesn't match with the actual payment received by the farmers. Another major source of profit for the corporate is the low wages, especially by employing women and children, who are paid just 70-85% and 50% respectively of the wages that an actual male worker earns. At the Kuppam demo farm, an average male worker earns Rs.350 per week, for 60 hours of intensive work on the fields, while at the normal farm; the same worker earns Rs.280 (including the cost of meals provided) for 42 hours of work. At that rate, a labourer earns only Rs.5.83/hour in the demo farm compared to Rs.6.62/hour in

the normal farms. This margin directly adds to their coffers, especially in Asian conditions where farming is more labour intensive. The Project also incurred wastage of Rs.2.43 crores as technology transfer expenses which constituted 25.2% of the total cost. Ironically, when the company involved (M/s. BHC Pvt. Ltd.) exited the Project, no real technology was passed on to the farmers.[1] This explains the type and magnitude of economic exploitation happening at the corporate farms in developing countries.

Corporate farming too has made inroads into the Indian agricultural sector, taking advantage of the low productivity, which is mainly due to small land holdings than poor technology. Among the first companies to sell agro products were The Monsanto Company, which has a joint venture with Mahyco India Limited. They were involved in selling of BT (*Bacillus thuringiensis)* cotton seeds[2] in Andhra Pradesh, which was reeling under heavy drought and the produce was falling rapidly over the years. The magnitude of the exploitation was very evident from the fact that per bag of BT cotton seeds is sold at an exaggerated price of Rs.1,818 against the approved price of Rs.604.20 per bag.[3] The yield from these farms was much lower, compared to Monsanto's lofty claims, and crops failed in 25,000 acres of farms in Warangal.[4] The monopolistic tendency of these firms has resulted in a legal tussle between Andhra Pradesh Government and Monsanto,[5] after Monsanto rejected a compensation of Rs.3,000 per acre recommended by the government for false claims.

In a country where 60% of total area depends entirely on rainfall and 50% of the variability in the crop yield is caused by rainfall variations, something as sophisticated as corporate farming involving huge amounts of water will have a serious effect on the environment. The above said practices failed simply because they did not suit the Indian conditions or the social and economic setup. Apart from inducing more damages, no significant positive effects for the indigenous farmers was seen from these projects.

Policy Suggestions

The traditional Indian farmer has low costs, resulting in low productivity and quality, less access to market information, credit and systems. At the same time, corporate farming incurs high overheads for productivity and quality. Success lies in combining the competitiveness of both.

The following suggestions are recommended to curb this menacing growth of agricultural corporate:

- There could be a ceiling on the area of land that can be used for farming by the corporate.
- There could be a fixed minimum period during which the land must be used for agricultural production by the corporate bodies.
- The companies must educate and train the farmers on usage and operation of the machineries and equipments.
- The crops to be cultivated should be selected and allotted according to the ecology of the area, suiting the farmers' needs, and not according to the preference of the corporate.
- The infrastructural support (transport, cold storage, processing facilities, etc.) in the rural areas must be improved by the State.
- Effective implementation of the current policies and decreasing the middlemen between the State and the tiller.
- Corporate farming leads to displacement of millions of farmers; whereas contract farming does not take away the ownership of land from the farmer; which means more incentive for the farmer. Hence contract farming too needs to be promoted.

Conclusion

The Indian farmers need a real green revolution which builds their natural assets such as soil, water and biodiversity. This will be able to reduce cost of production while increase outputs. Organic agriculture is increasing farmers' incomes by 3 to 4 times by reducing costly inputs. It has been proved that low-tech; low-input, low cost food production systems in Asia, Africa, and elsewhere make positive net returns than the capital intensive corporate farms.

Corporatizing agriculture and making the farmers shareholders according to their holdings can be one possible solution favouring agricultural reforms, while one of the would-be-solution – **crop insurance** failed to meet its purpose.

Ironically, the current policies which are being pursued by the Government are more suited and efficient implementation of the same is essential. Implementing corporate farming keeping in mind all the above said deficiencies and adverse effects at this juncture, is like undoing whatever our previous policies had envisaged. Before implementing policies as advanced as corporate farming, we need to get our basics right.

Farm assets would be safer and more productive in the hands of farmers, small and big. They have the incentives to protect farming and to promote farming productivity.

Notes:

1. Dr Chowdry, Dr Prasada Rao, Dr Venkat and Dr Uma Shankari, "Contract Farming: Burden on Exchequer," Deccan Development Society.
2. Bacillus thuringiensis (Bt) is a spore-forming bacterium which has an inbuilt mechanism to produce insecticidal chemicals, reducing need of external insecticides.
3. SP Shukla, Dr. Krishan Chaudhary, Dr. Vandana Shiva, "WTO, The Agrarian Crisis and Farmer Suicides"; Research Foundation for Science, Technology and Ecology, New Delhi
4. Vidyasagar, R., "Signs of Deepening of Agrarian Crisis", A Feature.
5. Dr Chowdry, Dr Prasada Rao, Dr Venkat and Dr Uma Shankari, "Contract Farming: Burden on Exchequer", Deccan Development Society.