

# **FDI in retail, FTA, and Food Security of weakest links**

India FDI Watch

***A Rapid Rural Appraisal of Human Rights  
Impact for Bengaluru and surroundings***

- Bengaluru is the welcome turf for global retailer giants

- 2007 - Indian retail market US\$ 328 billion. Organized sector 3-4%. Food retail > 70% organized sector <2%
- 2012 - US\$ 590 billion. organized retail - 16% share
- This market employs around 40 million next only to agriculture

- Global corporate world needs to capture this market.
- Pressure and lobby to open FDI in retail sector.
- FDI in whole sale 100%, FDI in single brand 51%. FDI is barred from multi brand retail.
- Bangalore is the pioneer in organized retail.
- The polity and bureaucracy quite conducive for new market changes.

## Recent changes –

- Emergence of contract farming mainly in horticulture sector. 22 companies, both national and multinational are involved in contract farming.
- There is a sudden rise in corporate houses' (both national and transnational) interest in Indian retail market. Retail market landscape is changing.

- European Union has made India a strategic trade partner and rigorously pursuing the FTA agenda.
- A Rs 3500-million Indo-US Knowledge Initiative in Agricultural Research and Education in 2005.
- A new wave agri-biotechnology initiatives started in Karnataka.

- change in the policy directions of government and other regulatory bodies.
- Liberalization in Karnataka
- Various items for which the Indian Government removed Quantitative Restrictions to fulfill its obligations in World Trade Organization regime, most of the items are produced solely in Karnataka

- Initiatives extremely taxing for small and marginal farmers
- Mounting debt and financial crisis
- Rise in suicide rate
- Global Investors' Meet in June

- From Impact point of view 2 kind of retailers – Small and bigger
- Bigger – Impact from big box retail of corporate house. Sale down 10-20%. Sure to feel heavy impact as FDI opens. First to start protest.
- A bit comfortable with capital – so wish to improve and innovate.

- Yelahanka retailer – A group of regular customer moved away. Where else they might have gone? Bad days augurs.

- Small retailers – will not affect us.  
Captive customers, credit, freshness, bargaining habit, not as per wont of small income group, time tested trust, personal touch.
- For fresh vegetables even high income people come to us.
- Deep in heart - long run fear.

- No realization that lesser addition of new customers.
- Complacency of over-the-years rapport.
- Not able to see the skill and spirit of giant operators.
- Not familiar with the force of the scale, profit not from margin but from the volume
- Capture of source of supply vital strategy
- Turning vendors into their franchisee employees.

- One study on Mumbai found - 71% of shopkeepers and 72% of hawkers have seen decrease in their business. One quarter suffered a drop by 40% or more.
- A more extensive report by ICRIER, under commission of the Prime Minister's Office, found that independent retailers were experiencing an annual decline in turnover and profit of 8-9%. Furthermore, 51% of survey respondents in the vicinity of new chains, as well as 28% of the control group (not in the vicinity of new chain stores), reported falling profits.

- Farmers look more aware and conscious of the issues, recent changes and impact.
- Spurt in contract farming for slightly better price, assured market, stable and higher income.
- Benefit of technical and input advice and supply.
- Also face the load of terms & conditions, rejection and waste, late payments.

- Fear of abandonment after 2-3 years.
- Adverse Impact on land – Fertilizers, pesticides, hybrid seeds.
- More water needed – more seepage of chemical in the land.
- Damaged lands need long time and investment in reclaiming the land.
- Emergence of new intermediaries

- Quite aware of the harm of BT and GM varieties.
- Land, water, biodiversity and local knowledge system endangered.
- Led a protest and destroyed the GM rice field.

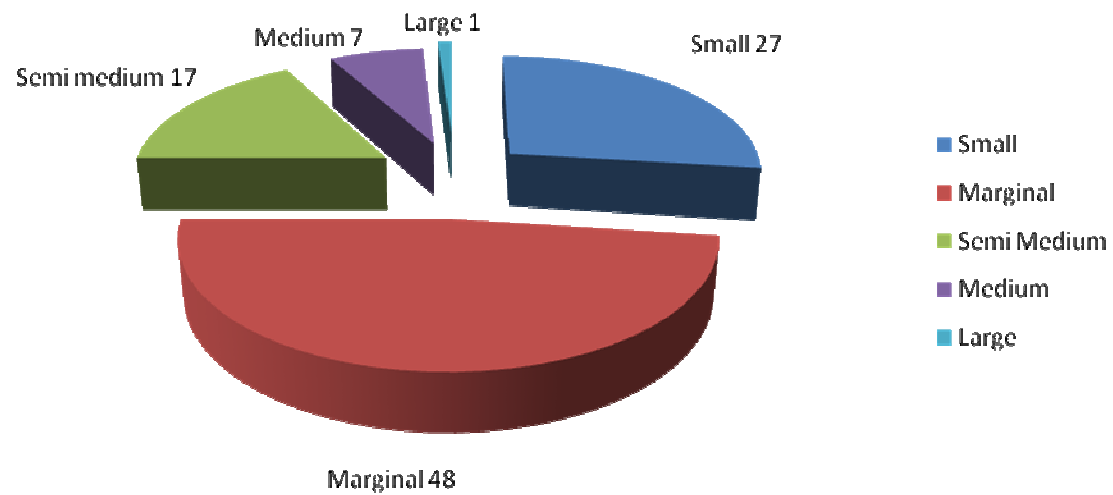
- Two farmers from Kumbalahalli abandoned after 2 years of contract farming. Their reclamation effort.
- Harish (Devenahalli) experience of contract farming for Monsanto.

- Aware of the conspiracy of land grabbing. Govt. and corporaters collaboration.
- Special export zone, experimentation on large scale.
- Farmers will be forced out of their land, loss of employment and livelihood.
- Food security at danger.
- Food habit threatened for all
- Small and marginal farmers worst affected

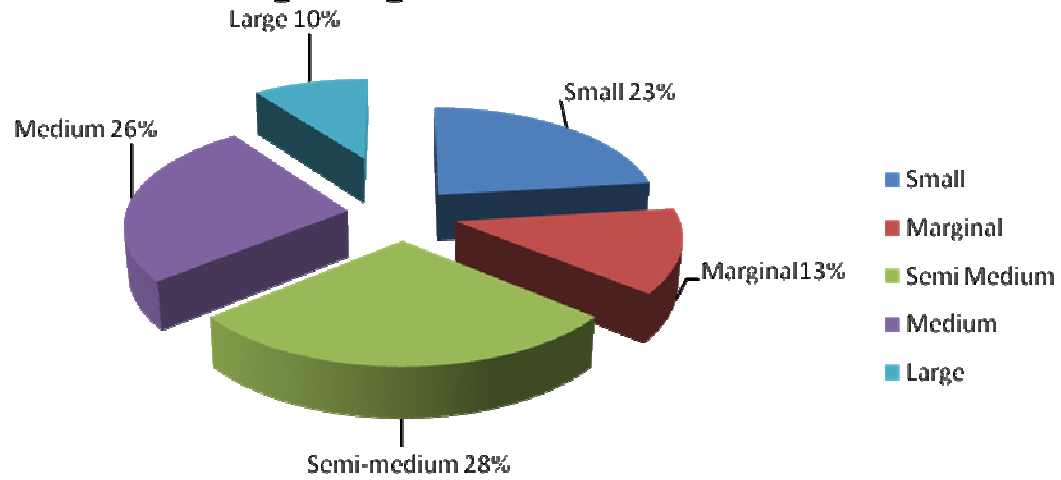
- During our study period 1 indebted silk farmer couple committed suicide. Lowering of tariff crashed the price.
- Over ten years Karnataka among third in farmers' suicide.

- Dent in the supply chain strategically important for giants like Metro AG.
- They will capture the source of supply itself.
- Target would be semi-medium, small and marginal farmers. They are largest in number as well holding the most of lands.

### Distribution of operational holdings according to agricultural Census 2005-06



## Distribution of Area of Operational Holdings According to Agricultural Census 2005-06



- True that real impact is not yet felt. It's just beginning.
- FDI in retail is a package. Manifold impact.
- FTA is strategically poised. Intensive and extensive lobbying.

- Hesitant till Doha round of WTO negotiation  
India itself is very interested in opening trade in services.
- EU's interest – change over in agri-trade scenario, source of raw food and market for processed food.
- FTA will force many critical breaking of barriers – change in APMA, Essential commodity act, Revenue act for long term lease

- Change in Indian label law – removal of MRP.
- Indian food safety and standard act copy of European act 2000 – ground realities are different, so no same standard should apply for hawkers and five star hotels.
- FTA means restrictive export for India – EU hidden and double subsidies to farmers, non-tariff barriers, sanitation and homogeneity standards

- Countries like France, Belgium, Bulgaria, Denmark, Italy, Malta, Portugal allow departmental store only after Economic Need Test.
- But India does not have such or other safety valve acts in place.

- India survived recessions well due to less connectivity of agriculture with world market. Now will be exposed to vagaries of sensex market.
- Indian corporate houses' entry in retail market is just a run up, real race begins with entry of Metro / Carrefour like giants.

- Lobbying has become quite important in facilitating the path.
- Popular saying in India – ye sarkar wo sarkar tata birla ki sarkar.
- It has gone to a new height.

- “Washington style practices of corporate lobbying have crept up on New Delhi politics, subverting the policy making process to meet the profit imperatives...it presents a real threat to democracy” – Praful Bidwai

- “CII is always involved in the FTA talks from the very beginning at a very high level. And that happens automatically. It is now almost normal for the government to call upon us at the very early stage” – Pritam Banerjee, Head of CII’s Trade and International Policy Division

- “WE ARE LOBBYING LIKE MAD” – Michael Arthur, Former British High Commissioner in India On Tesco’s effort to enter Indian market.

So we can gauge the helplessness of small and marginal farmers on one side and retailers on the other.