

## HOT POTATO

A HIGHER POTATO PRODUCTION led to declining potato prices in 2010, causing sufferings to farmers. The losses could run to few thousand crores of rupees, with farmers in West Bengal, being the worst hit. Low potato prices are likely to cut rabi potato acreage by 15 to 20%. A further expansion in potato area cultivation, could weaken the prices. Sowing is over in Uttar Pradesh, Bengal, Bihar and Punjab. Potato output could grow by 25% in processing varieties such as Chipsona, Atlantic and Lady Rosetta. The over supply position pushes down prices, and there is scarcely any huge demand from overseas markets. More than 80% of the potato crop is raised in the rabi season under assured irrigation, during curtailed winter days of October to March. Kharif Production of potatoes takes place in Karnataka, Maharashtra, Himachal Pradesh, Jammu and Kashmir and Uttaranchal. Uttar Pradesh, West Bengal, Bihar, Punjab and Gujarat contribute about 85% of potato production. Karnataka adds about 1.28%.

Distress sales of potatoes has been a regular feature in recent years. In fact after cotton farmers, potato farmers too are committing suicides. And it has given the Union Government a leverage to argue in favour of FDI as it would, the authorities think, eliminate middlemen to save the farmers, particularly the potato and vegetable growers. The large foreign retailers like Walmart, Tesco etc. can effectively reduce waste by creating modern cold storage and supply chains for fruits and vegetables. So they think.

Cutting out middlemen increases consumer choice and lowers prices. Middlemen indulge in mark-up pricing, above the global average. Modern retail could generate 10 million new jobs over three years, about 5 to 6 million of them in logistics alone. But many Indian leaders view foreign profits as synonymous with loot, rather than with wealth creation that benefits all. There are fears that efficient foreigners would hurt local shop owners and squeeze farmers and millions of traditional retail vendors. 35% of agricultural produce in India, rots before reaching the consumer. Faced with an unrelenting pressure from a united opposition in parliament, the government has put its decision on allowing foreign direct investment in the retail sector on hold.

It's unlikely for the foreign retailers to offer remunerative prices to farmers. They will, just like middlemen, cash in on distress conditions of farmers and depress the prices further once they get control over the market. Unless the government intervenes with a mechanism of regulated market farmers will have no respite from being haunted by uncertainty and suicide syndrome. Then the government by honouring the logic of opening up, is moving in the opposite direction—deregulating the market completely. □□□