

Private farming: an overview



■ *Kuntala Sarkar*

What is private farming?

A private agricultural farm is an enterprise to cultivate agricultural products under the control of one or more investor. Any individual farming initiative cannot be broadly incorporated within private farming. Two features are important. The whole production process must be for commercial purposes and not for individual consumption. Secondly, private farming entails large capital investment in the form of state-of-the-art equipment, advanced processing units and an integrated production-to-market chain. In private farming, it is mostly contractual labourers who work in the farm. The decision making powers regarding the cultivated crops rests with the private entity who owns the land. The idea of private farming is to create a holistic agricultural practice and simultaneously link it to the market.

Private farms offer good quality seeds, use mechanised agricultural solutions that are aimed at maximising production and mostly use superior quality of seeds. The underlying principle for private farming is to maximise agricultural profit. There are a few categories of private farms. Estate farming, corporate farming and contract farming are some of the important variants. This type of farming is more popular in the industrialised and developed nations like the US, Australia and UK.

In the early 1990s, privately owned farms started to emerge as one of the most important part of Russia's agrarian reforms. This structure of farming is considered to be one of the pillars

of the capitalist system. In India, the land reforms have fragmented large land holdings. West Bengal and Kerala has left remarkable milestones in this process. However, extensive land reforms have reduced the prospects of extensive private farming as availability of large land holdings in India is a rarity. In India, capitalists invest in agricultural equipment, inputs and in agro-processing units. Some form of private farming can be seen in India in form of tea and coffee plantations.

Private investors in India

Adani's agro-business has three main agro verticals namely Adani Wilmar Limited (AWL), Adani Agri Logistics Limited (AALL) and Adani Agri Fresh Limited (AAFL). They produce cooking oils, basmati rice, soya chunks and besan.

Syngenta India Ltd., which is a part of a Swiss company called Syngenta AG operate largely in India. They have products in seeds, seed care, crop protection, crop nutrients and yield protection. Under a public-private partnership programme, Punjab Agricultural University (PAU) has signed an MoU with Syngenta India to undertake projects jointly aimed towards sustainable development.

The Keventer Group is a Kolkata based conglomerate. They have forayed in fruit farming and food processing. The Keventer Agro is also currently dealing in dairy products, bananas, frozen food, export of food commodities, and also have a presence in the beverage business.

Advantages of private farming

Private farming entails large capital investment which assures scope for developed, state-of-the-art agricultural practices that are aimed to maximise production and earn profit. Such advanced agricultural practices ensures employment, helps to attain food security and also acts as an incentive for further investments in the sector. Additionally, this type of farming ensures market linkage which helps the consumers to get easy access. Since private farming is most done in an industrial scale, ensuring quality is easy and verifiable and associated processing units also ensure an integrated agro-industries market.

Disadvantages of private farming

There are also drawbacks. It entails large displacement of labour. A large number of human labours are imperiled due to excessive mechanisation which is aimed at extending profit margins. Dipankar Deb, Assistant Director of Agriculture, Chanchal-I Block, Maldah, told BE, "Often farmers and agricultural workers are exploited and do not receive suitable

wages. Apart from that, the whole intention of this kind of farming is not to enable food security but to earn profits."

Governmental support

India is trying to attract corporate investment in agriculture. Prime Minister Narendra Modi on July 2, 2018, said his government has a plan to double the farmers' income by 2022. He assured that farmers would be given a Minimum Support Price (MSP) which will be at least 1.5 times of the input cost for some specific crops. Modi also added that collective corporate investment in the domestic farming sector has been just 1% which was in manufacturing area or in manufacturing farm equipment. Modi had urged industrialists to invest in institutional aspects of agriculture like value addition, warehousing, cold storage and in packaging. Dr. Tuhin Roy, Professor, Department of Agricultural Economics, Uttar Banga Krishi Viswavidyalaya, told BE, "It is obvious that the government is planning to attract more investors in this sector. But for that to be successful, they will have to relax the rules and regulations for contract farming." ■

Cold storage crisis

■ *Amvesha Chowdhury*

The rural economy of West Bengal is predominantly dependent on agriculture. According to government estimations, there are around 71.23 lakh families who are dependent on agriculture. It is one of the focus areas of the state government and the state's Gross State Domestic Product (GSDP) expanded at a Compound Annual Growth Rate (CAGR) of 12.47% from 2011-12 to 2017-18. However, better penetration of a vibrant cold storage network can further augment the agricultural sector. According to last estimates, there are around 400 cold storages in West Bengal while the net cropped area is 52.05 lakh hectore.

Cold storages are warehouses that are used to store additional agricultural yield. Farmers often store their additional yield in these cold storages so that the produce can be later sold in the market when demand regenerates. A farmer family from Chinsurah, Hoogly, West Bengal, shared with BE, "After production of onion and potato, we send a large amount of the produce to the market and keep some for our household consumption. After this, if there is a substantial amount left, we send the excess produce to the local cold storage."

Every cold storage in West Bengal is controlled by the state government although most cold storages are privately owned. West Bengal Cold Storage Association (the association of cold storage owners in West Bengal) and the state government

jointly operate these cold storages. Being a government controlled sector, cold storages need permits from different departments like the pollution control board and other such departments. The source of income of cold storages is the rent that is attained according to the storing quantity of crop. The rates are finalised by the state government and evaluated on a yearly basis. West Bengal Cold Storage Association acts as a pressure group and tries to promote the interests of the owners of cold storages in West Bengal. According to the West Bengal Cold Storage (Licensing and Regulation) Act, 1966, the present rent division is ₹140 to ₹150. Farmers need to arrange storage tickets, generally known as 'bonds,' for storing crops in cold storages. The storage fee needs to be paid partially in advance.

BE spoke to the management of the Chinsurah Cold Storage Pvt. Ltd., which is the oldest cold storage in the district of Hooghly, West Bengal. According to the source, "We only store potatoes. They are mainly for seven to nine months. For storing potatoes for nine months we charge ₹150 per quintal. The rate is same for seven months or even for a week."

West Bengal has an annual potato yield of about 11.5 million tonnes, while the storage capacity is 7 million tonne. Due to shortage of storage space, farmers face difficulties in getting bonds which are required to store their agricultural produce.



Resultantly, market prices often shoot down, landing these farmers in severe distress.

A well-placed source from the West Bengal Cold Storage Association, told BE, "The general production of the state in general is around 100 lakh tonne. But in case of over-production, we are unable to store the excess yield. As from December to the last week of April, the potatoes in the market come from directly from the harvest. After that, around 65% of the total production remains in cold storages. The problem starts when over-production occurs. Cold storages are unable to store the excess yield and that lead to agrarian distress and leads to severe losses for farmers."

The government doesn't interfere in this sector unless there is a severe agrarian crisis. In such cases, the state government along with the West Bengal Cold Storage Association jointly formulates a policy that tries to balance the interests of the farmers and the cold storage owners.

According to a well-placed industry source, the number of cold storages in India is reducing. Private entrepreneurs are getting disinterested in entering this sector. The reason behind it is the uncertainty in this sector. The initial investment for cold storage is around ₹ 8,000 per tonne of capacity. On top of that, operational cost comes to about ₹1,250 per tonne each season. According to the source in West Bengal Cold Storage Association, "The government controlled rental rate is ₹1,360 per tonne and such low rates cannot attract any new investment in this sector. Minimum expenditure to create a cold storage is ₹ 900 - ₹1000 per quintal while the rental rate is ₹148 in south Bengal and ₹152 in north Bengal." Additionally, cold storage owners need to pay a certain amount to obtain the necessary licences that are required for cold storages. That adds to the initial investment. According to the source from

the West Bengal Cold Storage Association, "We are trying to impress upon the government the need to restructure the present rental structures."

The number of cold storages in India is reducing. Private entrepreneurs are getting disinterested in entering this sector. The reason behind it is the uncertainty in this sector.

Additionally, there are stringent structural specifications that need to be adhered to and that adds to the initial investment as well. According to the West Bengal Cold Storage (Licensing and Regulation) Act, 1966, agricultural produce stored shall be kept and arranged in such a manner as to prevent its deterioration from damp, moisture, heat, blast, or from water from the floor, side walls, roof, doors and windows. Insulation of the floors, roofs, walls, doors and windows or any opening of the cold storage is mandatory and shall be made with cork slabs or glass wool or rock wool or expanded rigid plastic form. Such regulations make maintenance expensive. According to many sources in the sector, many cold storages have been mortgaged as owners could not attain the necessary profit margins required to keep their ventures afloat. Many of them have been declared as Non Performing Assets (NPAs). There is an urgent need to relook the rental structure that exists for cold storages. It is required to incentivise the sector so as to attract private investments. A robust cold storage network can transform the present agrarian situation. ■