Fwd: Amul says FDI in retail will hurt farmers Business Line Dec 5

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From: **alathur damodaran** <alathurdamodaran@gmail.com>
Date: Mon, Dec 5, 2011 at 10:00 AM
Subject: Amul says FDI in retail will hurt farmers Business Line Dec 5
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Amul says FDI in retail will hurt farmers

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Business Line Mr R.S.Sodhi, Managing Director of Gujarat Cooperative Milk Marketing Federation Ltd.

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While the Government claimed farmers support on FDI in retail, the country's largest dairy cooperative and food brand Amul felt such a move will hurt the interest of both producers and retailers.

New Delhi, Dec. 4:

While the Government claimed farmers support on FDI in retail, the country's largest dairy cooperative and food brand Amul felt such a move will hurt the interest of both producers and retailers.

“FDI in retail is definitely not going to benefit the farmers,” said Mr R.S.Sodhi, Managing Director, Gujarat Cooperative Milk Marketing Federation Ltd, which owns the Amul brand.

Farmers get the least returns from the modern trade and the “so called efficiency” benefits only the large retailers as they constantly drive down the prices, Mr Sodhi said.

Citing the International Farm Comparison Network (IFCN) data, Mr Sodhi said milk producers in the US got only 38 per cent share of the consumer's dollar spent on milk, while the rest was earned by the processor and retailer. In the United Kingdom, the milk producers got only 36 per cent.

However, in India, the milk producer gets more than 70 per cent of the consumer's rupee on an average. Moreover, the milk producer affiliated to co-operatives get more than 80 per cent share of the consumer's rupee, Mr Sodhi said.

In the US, the farmer's share in the consumer's price has declined from 52 per cent in 1996 to 38 per cent in 2009, while in the UK it has declined from 56 per cent in 1996 to 38 per cent in 2009. “This decline clearly demonstrates that the milk producers suffer when the share of organised retail increases,” Mr Sodhi said.

Mr Sodhi questioned whether those seeking liberal FDI policy be able to maintain the farmer's share of consumer price in India. “Will they operate at 2 per cent distributor margin and 3 per cent retail margin for milk as practised by Amul and other milk brands,” he asked. From a manufacturers' perspective, Mr Sodhi said the organised retail trade tends to be monopolistic. The access to market to brands often comes at a heavy price to be paid by the producer, Mr Sodhi said citing Amul experience with large retailers in about 40 countries like the US, Japan, Australia and Singapore where it exports dairy products.

The terms of the trade dictated by many of these players are not even heard of in India such as short credit period, huge listing fees for products, reluctance to increase prices for as high as six months among others. “The retailers will effectively kill innovation, squeeze margins and always threaten the brands with cheaper substitutes, imports or finally private label store brands,” Mr Sodhi said.

For the Government, the share of taxes would remain the same irrespective of the format of retail, while on the contrary the foreign retailers will demand more and more concessions and liberal policies to earn better. Further, the labour prices of large retailers were not employee friendly and that the Government may have to deal with huge labour issues if liberal FDI policies are implemented in retail. “If largest and most reputed Indian corporate houses like Reliance, Tata and Birla have invested in retailing in India, we do not need to look to foreign investors to invest in Indian retail,” Mr Sodhi said.

The small retailers in India over the past decade have improved their outlets, presentation, service levels and consumer orientation significantly. The modern retail and their deep pockets due to foreign investment will destabilise the retail trade, which gainfully employees a very large section of our society.

“The promised employment generation in modern retail will be at the cost of unemployed shopkeepers who form the backbone of our commerce and economy,” Mr Sodhi said.

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