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COMMENTARY BY Dr. VANDANA SHIVA ON FDI IN RETAIL SECTOR IN INDIA

No Therapy in Retail

In November 2011, when the UPA government announced in Parliament that it had cleared the entry of big retail chains like Wal-Mart and Tesco into India through 51 per cent FDI in multi-brand retail, it justified the decision saying that FDI in retail will boost food security and benefit farmers' livelihoods. But the assurance that FDI in retail would ease inflation did not resolve the political crisis the government was facing; it deepened it. Parliament was stalled for several days of the Winter Session after which the government was forced to withdraw its decision.

The story of FDI in retail goes back to 2005 when Prime Minister Manmohan Singh signed an agriculture agreement with the US, along with the nuclear agreement. On the board of the US-India Knowledge Initiative in Agriculture, as it is called, sit Monsanto (the world's leading producer of GM seed), ConAgra (among the world's big agribusiness along with Cargill) and Wal-Mart (the world's biggest retail giant). Protests had prevented Wal-Mart's entry into retail, but in 2007 it did get a backdoor entry through a joint-venture with Bharti (their stores go by the names of Easyday and Best Price Modern Wholesale). No backend infrastructure has been built so far, one of the other claims of the government about why we need retail giants.

The way the UPA government tried to ram through the decision on FDI in retail — without consulting the Opposition parties, or even its allies — was clearly undemocratic. But the decision itself is also flawed. It illustrates a disconnect between an ideology based on market fundamentalism which is the leaning of the present government, and the Indian reality of small farms and small retail. There is also a disconnect between that ideology with its codeword of "reform", and the crisis that market fundamentalism is facing, worldwide as well as in India. If anything needs reform, it is the failed paradigm of corporate globalisation.

Firstly, price rise is driven by commodification of food and speculation on food commodities. **Industralisation and globalisation of food and agriculture has transformed food from a source of life into a commodity, and as a commodity, food is divorced from its sources** — the seeds, the soil, the farmer — and from its end use as nourishment for our bodies. Industrialisation of agriculture and commodification of food is justified on grounds of producing more food and reducing hunger. However, industrial agriculture wastes and destroys resources — the soil, the water, the biodiversity — which produce food. **The book, American Wasteland, by Jonathan Bloom, reveals that the US wastes 50 per cent of the £591 billion of food it grows a year**.

Industrialisation of food also degrades and denitrifies food. We, therefore, have a dual malnutrition crisis — the crisis faced by one billion people who do not get access to food, and another two billion who have access to industrial food but not to healthy food and suffer from food-related diseases such as obesity, diabetes and hypertension.

Industrialisation, thus, creates hunger. And by increasing the costs of production, it creates a negative economy, locking farmers and food producers into debt. In the Third World, debt translates into hunger. Hunger is also created by the commodification of food. The industrial model of food production is producing commodities, not food. More commodities do not mean less hunger, but more. And when food becomes a commodity it becomes an object of speculation for profits, robbing the poor of their entitlements.

As a commodity it does not matter what food is used for. Food can be transformed into feed for animals in factory farms, or into fuel to run cars. Seventy per cent of the food grain in the US is used to feed animals, 30 per cent to feed cars. The proposed increase through FDI will take this to 40 per cent, creating a conflict between feed and fuel, and pitting both against food. This diversion of food to feed and fuel competes with the food needs of the poor. It creates food scarcity and contributes to the rise in food prices.

When food is treated as a commodity, it does not matter how it is produced — whether GM seeds were used or not, whether it is produced chemically or organically. But how food is produced does determine what happens to our soil, biodiversity and water; it also determines whether farmers live or die. And how food is produced determines whether what we eat nourishes our bodies or contributes to disease and ill health. When food is a commodity, it becomes the object of speculation. Putting food on the global casino takes food away from people's kitchens and plates.

Secondly, the entry of big corporations into the food chain polarises prices, decreasing the share of the farmer and increasing the retail costs. This polarisation of prices is structural; corporations make their profits through vertical integration and controlling the entire food chain. They buy cheap from farmers and sell at high cost when they have a monopoly. The control of big retail over the food system has brought down the farmers' share to as little as two per cent. Before liberalisation, the difference between wholesale prices and retail prices was a mere six per cent.

After the removal of Quantitative Restrictions, which opened up India to dumping of subsidised products, wholesale prices started to go down while retail prices continued to climb. The entry of retail giants will further push wholesale prices down, without taming the price rise. **It is not the number of middlemen that matters but the size of a middleman. A giant retailer is a giant middleman.** It might be a single player, but it harvests super profits at the cost of society. That is how the Walton family, which owns Wal-Mart owns $100 billion of personal wealth, which is equivalent to the wealth of the bottom 30 per cent of the US society. You do not accumulate that kind of money by paying farmers higher prices and bringing consumers cheaper products. Wal-Mart and Tesco are not friends of farmers as is being projected by the government and corporate spokesmen.

The Financial Times said on November 28, 2011: "A consolidated retail sector would require consolidated agriculture to supply." Consolidation means concentration, concentration means displacement of small farmers, destruction of small farmers means deepening both the food

crisis and the agrarian crisis. Big retail means big agribusiness. About 250,000 farmers have already committed suicide in India since 1997 because of increasing monopolies on seeds and chemicals, rising costs of inputs and deepening debt. Big retail will uproot small farmers, as it has done worldwide. India's future cannot be "retail dictatorship" and "seed dictatorship". It has to be "retail democracy" and "food democracy", based on small retail and small farms.