Chapter-1
INTRODUCTION

1.0 Statement of the problem:

Large capital or corporate investment in agriculture is becoming an important issue in Indian economy. Here by corporate investment we have tried to mean that the investment made by those firms that are not confined them within a geographic location but spread beyond a particular nation or operate worldwide. Therefore, we may call these firms as large capital firms. Large capital may be of domestic and foreign or both. The government of India has been reforming agriculture from time to time through reforms in food processing, single brand and multi-brand retail trading, cash and carry (wholesale) trading, export-import policies and commodities exchange markets etc... The Indian market also reformed for domestic large capital or corporate traders including retailers, wholesalers, exporters and importers, food processing firms etc... 100 % Foreign Direct Investment (FDI) in cash and carry has been opened since 2006 with automatic route and in the single-brand retail market by 2012. Complete reforms of FDI in nature for Multi-brand retail not yet been taken. Indian domestic large capital or corporate firms are also allowed in the trading (viz. retail and wholesale) market of agricultural commodities. With considering the rise of foreign indirect investment (FII) through franchising mode with domestic large capital firms in the agricultural commodity trading market and foreign direct investment (FDI) in cash and carry wholesale trading in India and particularly in West Bengal we have interested in studying the fact that how these forms of investment acting on the rural agriculture commodity trading market. Therefore to study how the presence of large capital or corporate traders (both domestic and foreign) mainly retailers, wholesalers and others moving price behaviour and riskiness in the rural wholesale market of agriculture commodities of different
districts in West Bengal and the strategic behaviour of large capital or corporate retail traders (of single and multi-brand) in setting retail prices of agricultural commodities of food items including vegetables in the retail market. With these view another interesting objective also has been studied here that the possible interaction of strategies between the group of small capital retailers and large capital retailers in the retail market in setting prices of agricultural commodities. So in summing up it can be said that the entire study has been divided into two parts, one impact of large capital or corporate investment in the rural wholesale market regarding the changes of price behaviour based on the selected crop and second is to see the strategic behaviour of large capital retail traders in setting prices in the retail market of agricultural commodities. The detail structures of this study are discussed below.

1.1 **Design of the study:**

The entire study has been divided into different chapters. These chapters are discussed in brief below:

Chapter 2 provides a brief description of literature surveyed related with the study. In this chapter initially few literature of purely theoretical in nature are reviewed for the clear understanding of the actual problem and thereafter-particular empirical studies have been discussed.

Chapter 3 provides the scope of the study or the actual areas identified for the study. This chapter begins with brief description of the study there after the objectives are set and based on the objectives the hypothesis are set which are to be tested in the next few chapters and based on the results the conclusions are to be drawn. To test the hypothesis and for detail analysis the database and the methodologies, which are to be applied, are also discussed in this chapter.
From Chapter 4 to chapter 6 the actual analytical studies have been done.

Chapter 4 provides detail study of the impact of corporate firms in the rural wholesale market of agricultural commodities. Here we have studied the impact of corporate investment on trading of potato in the wholesale market and a comparison has been done between the districts from where the corporate traders are collecting the agricultural commodities directly from the farmer through their collection centre, with the other districts. Here a detail study has been done to know the price behaviour of potato between these two groups of districts. Here based on the available data the study has been done on 18 districts including the districts from where corporate firms are collecting the agricultural commodities directly from the farmer through their collection centre. The districts are North 24th pargana district where three corporate firms including one 100% FDI in cash and carry trade are operating these are Reliance, Metro cash and carry, Keventer Agro, Nadia and Purulia districts where corporate firms use to collect agricultural commodities through participatory farming.

Chapter 5 is the extension of chapter 4 where we have studied theoretically based on the empirical evidences have found in the chapter 4. Based on the theory of bargaining and the role of risk aversion we have tried to show theoretically that how a strategic move from large capital or corporate traders of agricultural commodities including exporters, retailers, wholesalers is affecting and changing the preferences of small capital regional or local traders of agriculture commodities in the market than before when only small capital traders were present and large capital or corporate traders were not allowed to enter. With this changing preferences of SCTs (small capital traders) and strategic move or preferences of LCTs (large capital or corporate traders), here we have also tried to show in this chapter the possible conditions of cartel between SCTs and LCTs.
Chapter 6 provides the behaviour of large capital or corporate retail traders in setting prices of agricultural commodities in the retail market and the scope of interaction with the small capital retail traders. This chapter is based on the outcome of the previous chapters and surveys that have done at the districts and Kolkata retail markets. In this present chapter, we have examined based on survey data first empirically then theoretically the competitive behaviour between small capital retailers and large capital retailers. As methodology, we have used the technique of “Industrial organization” and other required mathematical tools. Regarding field survey, I surveyed Hooghly district and North-24th pargana district, West Bengal, India for getting farm level information and Kolkata, India retail markets for retail data and evidences. The main questions, which are to be answered in this chapter, are one, “will the large capital or corporate traders be able to offer agricultural commodities at a lower price than predominant small capital traders (retailers)?” and second, “will the small capital retailers exit from the retail market where large capital retailers are also present?”

Chapter 7 provides the summary of the entire study and the suggested possible policies, which are to be taken by the government.