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Punjabi farmers are tempted by Florida's sweet taste of success

Anita Jain reports on moves in India to conserve water and produce higher yield crops

If all goes to plan, Mohinder Jeet Singh Ladhra will soon grow more than a dozen acres of Florida's sweetest and juiciest oranges on his farm in Jalandhar in Punjab state.

Like all farmers in the heavily agricultural northern Indian state, Mr Ladhra harvests mostly wheat and rice – India's two main food staples – on his 72-acre farm.

However, four decades of intense cultivation have led to a precipitous drop in the underground water level and accelerated soil degradation.

This, and a desire to earn more, have led the farmers to join with the state government and PepsiCo of the US to experiment with planting different varieties of citrus fruit from Florida and California, whose soil and weather are comparable with those of the Punjab.

"It solves the water problem and they are saying it is more profitable," said Mr Ladhra, who has already planted the citrus stock on three acres. He is ready to increase that to 20 acres if the crop is successful.

PepsiCo is not a newcomer to contract farming in Punjab, having introduced the state's farmers, including Mr Ladhra, to the harvesting of higher-yielding US varieties of potatoes, tomatoes, chillis and peanuts over the past 15 years. But this is by far its most daring experiment.

For PepsiCo and other western food companies this kind of supply chain initiative is critical to establishing long-term competitiveness in one of the world's fastest growing consumer markets.

India is already PepsiCo's fifth largest market outside the US – Pepsi-Cola beverages and Frito-Lay snack foods generate annual sales of $700m (€598; £409m) in India compared with $264m for Coca-Cola.

For Punjab state, 70 per cent of whose gross domestic product is linked to farming, the project could mean a dramatic shift from low-value grains to value-added horticultural cultivation of fruits and vegetables. A quarter of the state's agricultural revenues could come from citrus by 2015, estimate Punjab officials.

"The government wants diversification, the farmers want higher income and the company wants local availability of citrus," said Abhiram Seth, PepsiCo India's executive director of exports.

PepsiCo imports its orange concentrate for juice sold in India because the home-grown oranges are smaller, bitter and have a thinner skin than western varieties.

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The US company, through its Tropicana division, is one of two large players in India's packaged fruit juice market, which has developed overnight in line with the country's rapid embrace of western-style consumerism.

The US company's $1.1m contribution to the project is small by comparison with the state government's $22m investment in citrus farming. But PepsiCo says it is bringing its technical expertise and management skills to the project. Punjab is also setting up two $8.8m fruit concentrate processing plants by late 2006.

"The government is looking for a paradigm shift," said Himmat Singh, managing director of Punjab Agri Exports Corp. "We want to tap into the higher value-added chain."

The Punjab government sold 22,000 trees to farmers this year and plans to sell 250,000 next year, followed by 2m in 2007. The first saplings, planted in 2002, should bear fruit in 18 months.

PepsiCo first sold juice in India in 2001 and expects to source all its orange concentrate locally by 2011. The company has had success before – its high-yielding tomato crop doubled production to 18 tonnes an acre.

For India, the project could offer a clue on how to revitalise agriculture, which is growing at about 2 per cent a year compared with the country's overall growth of about 7 per cent.

Now it's fruit juice for breakfast

By Anita Jain in New Delhi

After a morning cup of chai, the typical Indian sits down to a heavy breakfast of fried paratha bread, spicy pickle and oil-drenched vegetables, washed down by a glass of buttermilk.

But as Indians adopt a more rushed western lifestyle, breakfast habits too are changing.

Packaged fruit juice, virtually non-existent a few years ago, is now making its appearance at the breakfast table, creating a market that is growing by 50 per cent annually.

"The fruit juice market has gone through a revolution," said Jagdeep Kapoor, chairman and managing director of Samsika, a brand marketing consultancy.

This was also due to growing awareness of health issues and a more sophisticated cocktail culture requiring fruit juice as a mixer.

In the late 1990s, the Indian foods group Dabur India introduced the country's first boxed fruit juice, a hygienic alternative to canned juices and the fresh juice sold by street vendors.

Dabur's fruit juice sales rose 25 per cent in the initial years but have recently seen annual growth of some 50 per cent. "There's been a boom in the last two years," said Amit Burman, executive director of Dabur's food division.

The company, which Mr Burman claims has 60 per cent market share, reported fruit juice turnover of $26.4m (€22.5m, $15.4m) last year.

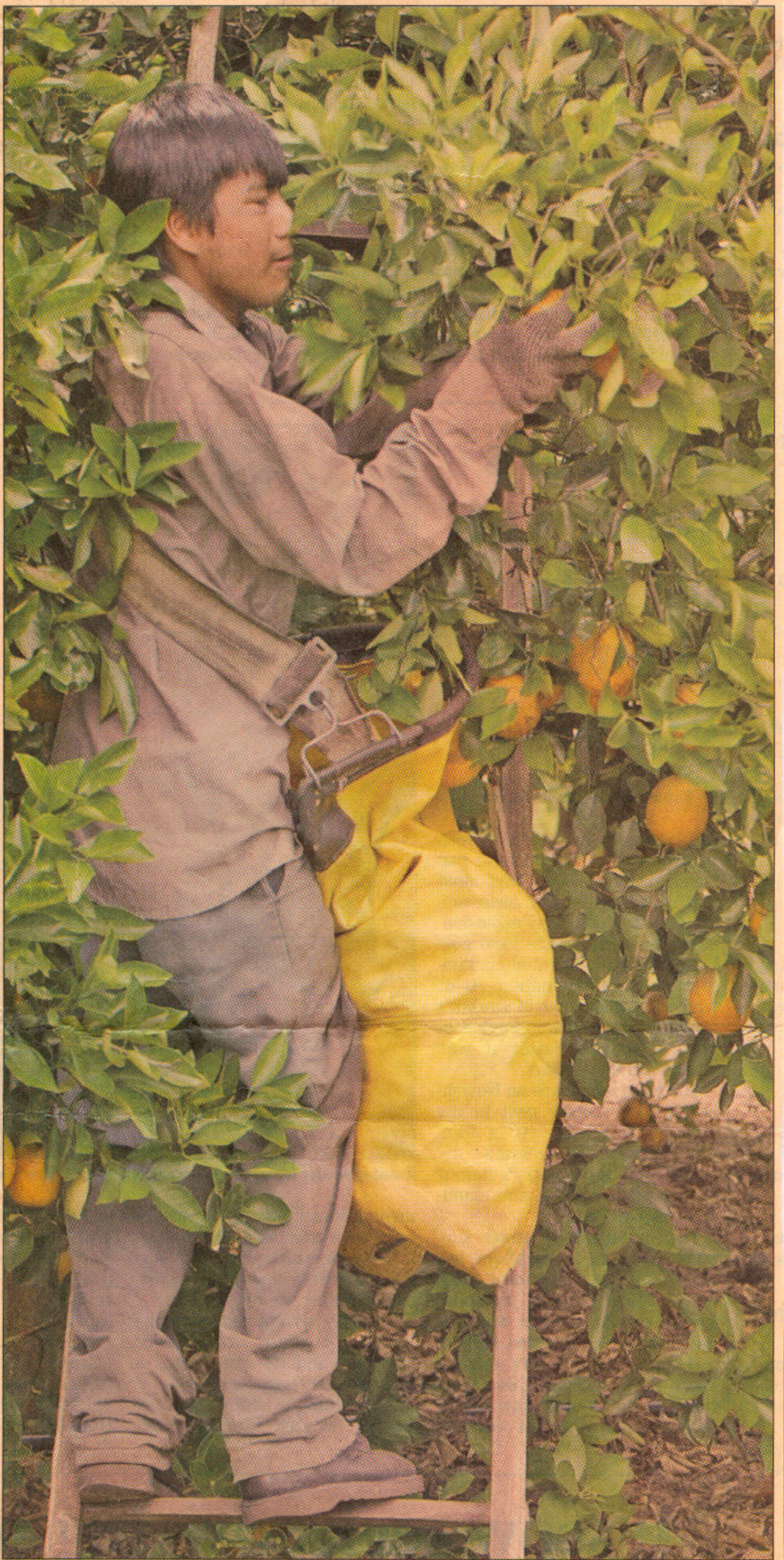
Dabur's Real brand of nine juices includes orange, mango, guava and lychee, while its Activ brand includes fruit and vegetable combinations.

PepsiCo has been selling a similar range of packaged fruit juices at similar prices under the Tropicana Premium brand since 2001, accounting for 12 per cent of its total business in India.

Abhiram Seth, PepsiCo's executive director of exports, said its citrus farming project in India could reduce its retail price for orange juice, undercutting Dabur.

Mr Burman said, however, that most of Dabur's popular juices were already made from locally sourced fruits such as lychee and guava.

He said sales of these juices were growing by 60 to 65 per cent a year against 20 per cent for orange juice.



Harvesting oranges in Florida, an activity that will soon be a common sight in Punjab, where the government sold 22,000 fruit trees to farmers last year AFP