

The Future of India's Rural Markets

In the book The Future of India's Rural Markets, consumer insights veteran Kunal Sinha has presented a vivid picture of how Indian rural consumers have been changing and will continue to evolve. Once dismissed as 'hard to reach', 'illiterate', 'media dark', rural India is changing at an ever-increasing pace powered by better connectivity – both roads and mobile. Marketers will find the lessons presented by Kunal of great value as they get ready to tap the exciting potential that Indian rural consumers offer.

Dr Ambi Parameswaran
Independent Brand Coach and Founder Brand-Building.com

The diversity of rural India and its rapid evolution in recent years has bewildered many. Kunal Sinha has studied this transformation for three decades to decode its intricacies that paint a picture of its future over the next three. For every person or institution that wants a piece of this bright future, this book is a treasure trove of opportunities.

Anish Daryani
Founder & President Director
M&C Saatchi Indonesia

While we have been celebrating the India growth story, what we perhaps missed out on was diversified and inclusive growth. The real power of India rests in its village and unlocking that potential can be a game changer. This book from Kunal Sinha covers deep insights from rural India and the reader will have an immersive experience. Product marketers, agri-tech innovators, students and institutions wanting to do social good can greatly benefit from the book and their actions will lead to a more sustainable growth.

Anuj Agarwal
Chief Operating Officer
ICICI Foundation

A brilliant analysis by one of the best Asian strategists of our time. Kunal's multidimensional examination of rural markets presents numerous insights and opportunities that can be leveraged by brands and government bodies. With a robust narrative complemented with actual stories, this book is an academic masterpiece with a human touch.

Ashik Ashokan
Head of Advisory, APAC
World Advertising Research Centre (WARC)

The Future of India's Rural Markets: A Transformational Opportunity by Kunal Sinha is an incredible insight into the importance of rural markets in India, changes which are happening in it with advent of technology and most importantly how to unlock the potential of rural markets. It's a must read for anyone who wants to succeed in complex but exciting rural markets or just enjoy reading about the India that is not so well known.

Ashish Dobhal
Regional Director, India Region
UPL Limited

The tumultuous beginning to the 21st Century has turned a majority of extant 'wisdom' on the value drivers of global economies upside down and downside up. Clamour for accountability on governance standards that puts sustainability in the centre of governance has created strategic interest in rural markets and its opportunities to re-frame economic priorities. Kunal Sinha's book directs the spotlight on the opportunities in the Indian rural markets – which could well act as a bow light on how technology navigates swathes of rural poor out of poverty, and also inspire the wealthy to discover purpose in their existentialist quest.

Professor Bibek Banerjee
Dean, School of Management and Entrepreneurship
Shiv Nadar University

The first thing that strikes one while reading through the book is the myriad transformational opportunities that are waiting to be harnessed in the rural markets of India. Each chapter is a pocket map with succinct directions to traverse the multi-faceted villages, brought alive by the stories of their inhabitants; every page provides a new insight and plants a fresh idea.

Deepa Mathew
Chief Insights and Digital Marketing Officer
Ceat Tyres

For years rural India, in spite of being the dominant majority in terms of spread, fundamentals and population, has yearned for the wings to fly and escape the back-stage tag. The Future of India's Rural Markets by Kunal Sinha reveals the path and trajectory how rural India of today unleashes its dramatic transformation. This book is not just about markets, economics and growth, but delightfully weaves the sociocultural nuances of change in rural India. Must read and keep both for academia and practitioners.

Prof. Diwakar Shukla
Dean
Faculty of Journalism and Creative Studies
Jagran Lakecity University, India

Kunal Sinha's book, The Future of India's Rural Markets: A Transformational Opportunity is a welcome addition to the growing literature emerging on Indian rural market. The book is not only well researched but also provides many valuable insights based on his years of work in the field. The data in general reflects a dramatic transformation in the way more and more people from the Indian hinterland are making online purchases and paying digitally. The narrative, especially the chapters sharing case studies of rural men and women, is very inspirational and reflects the mood and manner of the emerging rural economy.

Prof. Jaishri Jethwaney
Vice President, NAPSIPAG Centre for Disaster Research (NDRG)
Former ICSSR Senior Research Fellow & Professor,
Indian Institute of Mass Communication

We all understand that the factors bridging the gap between India and Bharat include technology, financial inclusion, education, infrastructure, policies, people's ambitions and pure Indian inventiveness. For all business leaders planning their next move, Kunal vividly brings to life these transforming stories. A truly eye-opening look at rural India.

Nirmallya Roy Chowdhury
Founder
Radicle Advisors – Brand Asset Creators

Rural India is clearly in policy and market focus; business and academic interest in this large market segment has never been greater. However, current literature on the ongoing transformation, and its drivers has been sketchy. Kunal Sinha brilliantly provides readers the context of rural transformation, amplifying the hidden potential with real-life examples. A must-read for business leaders, marketers, academics, policymakers, development professionals and students alike.

Prof. Sajal Mukherjee
Director
Apeejay Institute of Mass Communication

The Future of India's Rural Markets: A Transformational Opportunity

BY

KUNAL SINHA

M&C Saatchi Indonesia



United Kingdom – North America – Japan – India – Malaysia – China

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INVESTOR IN PEOPLE

This book is dedicated to the memory of rural marketing pioneer, trailblazer and my teacher, Mr Dwipal Kumar Bose.

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Author Biography

Kunal Sinha, Group Chief Strategy Officer at M&C Saatchi Indonesia, is a foresight, brand and digital strategy expert based in Jakarta. He is among the rare marketing executives who has worked in three of the world's four most populous nations – with the most diverse cultural mix imaginable, for over three decades.

Previously, he was Principal Consultant at World Advertising Research Centre, Chief Strategy Officer at Ants Digital, Executive Director – Advisory at Kantar South Asia, where set up a data-driven strategy consulting offer. He ran an independent consulting practice based in Shanghai, was Chairman – Asia Pacific at The Futures Company and spent over 25 years at Ogilvy, JWT and McCann Erickson doing strategic planning, research and consulting across four continents. His work encompasses trend-spotting, cultural strategy and forecasting.

His engagement with rural markets is diverse. From introducing video-vans as a medium for entertainment and distribution in South India, to researching visual literacy among communities that couldn't read or write, to documenting how technology is transforming expression and commerce in rural China, he has been at the forefront of marketing innovation for brands and social causes.

His insights into fast-growth markets are sought by a wide range of firms: global investment banks, domestic and multinational corporations, as well as start-ups. He is a 12-time winner of the WPP Atticus award for original thinking in the marketing services, including three Grand Prix. He was listed in the millennium edition of the Who's Who in the World, has spoken at leading universities including Harvard Business School, Kellogg, Cambridge University, London Business School, Syracuse University, Peking University, University of New South Wales and Australian National University; his views have been quoted in a wide range of global media, including *The New York Times*, *Wall Street Journal*, *Reuters*, BBC Radio, *China Daily*, *Economic Times*.

He is a prolific writer with an output that ranges from academic papers, industry white papers, columns in business and trade media, to six books including two on creativity: the award-winning *China's Creative Imperative* and *Raw: Pervasive Creativity in Asia*.

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Acknowledgements

This book is the realization of my teacher and philosopher's dream. Mr Dwipal Kumar Bose, affectionately called DK by all who knew him, was a rural marketing and development communication pioneer. We shared the same enthusiasm and belief about how rural India could be transformed by technology.

Just before the coronavirus pandemic hit, we chatted about how students (he loved teaching as much as I do), fellow communications professionals and marketers, and even policymakers, needed a contemporary view of rural India, one that had been transformed by partnerships and technology. The idea for this book germinated during those coffee-fuelled conversations, and I began writing in earnest. Through the lockdown months, I'd share my drafts and seek his opinion.

As travel resumed, DK bought a one-way ticket to Dharmashala. His last Facebook post showed him drinking tea as the sun set behind him, then he went peacefully in the night.

This is my tribute.

Once my manuscript was ready, I began my search for a publisher. Nick Wallwork, now Books Commissioning Lead at Emerald, and Christopher Newson, my agent, patiently kept the faith, and found Emerald Publishing for this book. Kousalya Thangarasu from Emerald's editorial team and Rajachitra S from the production team painstakingly guided me through the final stages.

I'm grateful to the anonymous reviewers who helped me add a valuable dimension to the book, as much as they assured us of the need for the book in the business and academic world. The same belief was reposed by Professor Vijay Mahajan, when I sent him the manuscript and requested him to write the foreword. Being endorsed by a scholar of his repute adds so much to the book, and I am extremely grateful.

I enlisted the services of my daughter Sukanya, a sophomore at the University of Massachusetts Amherst, for doing the references, and she has done her job creditably. My wife Sumona and son Shourya have been fabulous supporters of all my writing ventures, and so were they of this one.

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Foreword

For decades, millions of residents of rural India have been viewed by corporations, governments and non-profits as a potential driver of growth. But the sheer scale, dispersion and diversity deterred most players from engaging with this mass of humanity.

That reluctance is in the past. Spurred by technology, enabled by growing investment in infrastructure and accompanied by recognition of the need for social justice, a wave of aspiration is sweeping through families in the countryside. The digital divide is rapidly being bridged, creating new opportunities in livelihood, revolutionizing agriculture, providing access to finance and delivering healthcare and education to even the most remote villages. New online marketplaces allow farmers to get the best price for their produce and sell to buyers anywhere, just as the deep penetration of e-commerce lets them buy from any merchant. With urban markets proving to be challenging, many start-ups are creating business models that tap into the potential in rural markets – and receiving generous funding.

In the context of India's long-term growth story, investment in rural India is a no-brainer. Unlike other large markets that have rapidly urbanized, India's rural population will continue to grow. The new wrinkle in this constant churn of social mobility is the phenomenon of reverse migration, as educated and qualified people choose to return to villages. By investing in modern organic farming, dairy or floriculture, up-skilling young women and men and connecting their handicraft to markets, or even providing platforms for creative expression and monetizing talent, they have made rural India an extremely dynamic, exciting marketplace.

It is this sense of optimism and dynamism that *The Future of India's Rural Markets* captures so well. The book is structured to answer the three fundamental questions: why do rural markets matter, what is the change that is sweeping through them, and how to engage meaningfully with rural consumers.

Through his deep research and facile storytelling, Kunal Sinha has been able to not only document the change, but also provide direction to any enterprise that wishes to take the plunge into the rural market. With over three decades of experience studying the rural and small-town consumers in India, China and South East Asia, and helping brands and non-profits with their rural strategy, I can think of no better person to bring alive the opportunity than him. Senior

business leaders, academics, policymakers as well as students of rural development and marketing will find this a very useful guide to shape their understanding and facilitate decision-making.

As the global and Indian economy seek a return to growth, this book is a timely exposition of the roots.

Professor Vijay Mahajan
John P. Harbin Centennial Chair in Business, McCombs School of Business,
University of Texas at Austin

Author: RISE of Rural Consumers in Developing Countries

Preface

Rural transformation is a process of comprehensive societal change whereby rural societies diversify their economies and reduce their reliance on agriculture; becoming interdependent on distant places to trade and to acquire as well as provide goods, services and ideas (Berdegué et al., 2014).

Rural transformation is also the reorganization of society in a given space, being embedded within a wider process of structural change that involves the whole of a country. The structural changes involved in rural transformation often require the harnessing of technological knowledge in order to broaden the range of productive activities that rural workers can engage in. Rather than contributing to growth and industrialization only, innovation can be a key factor in addressing urgent developmental challenges, such as healthcare, safe water and sanitation, energy and women's participation.

While global forces drive this transformation, they are mediated by localized social structures, institutional frameworks and local societies with different levels of human agency.

This book explores the reorganization of the institutional frameworks, the gradual disruption of social structures and the interplay of human agency with structural change, much of it made possible by technology.

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The Changemakers

For Usha Devi of rural Allahabad, her entrepreneurship journey began when her husband, a grocer, gifted her a smartphone.

She soon found herself watching videos on YouTube, and developed a desire to launch her own YouTube recipe channel. Not educated, she feared she would not be able to host videos properly, but she tried, and today her channel Usha Village food has over 160,000 followers with her content racking up millions of views. Her videos celebrate farm life. They show her picking fresh tomatoes, coriander and green chillies from fields, and also how to milk a cow. Her cover photo tells us: ‘No farms, No food, No life’.

Kartik Bhatt is a 20-something farmer from Kausani, in Uttarakhand. He launched his range of organic farm produce Pahad Wala in the midst of the coronavirus pandemic. He created a Facebook page with photos and videos of his products against glorious sunrises and gurgling mountain streams and began accepting orders over WhatsApp. With health consciousness and immunity-building salient in urban-dweller minds, he chose to highlight the nutritional profile of some of his unique products, not to be found anywhere else. By connecting directly with his buyers over social media, Kartik is able to offer competitive prices, and split the cost of transportation with them 50–50.

One of his Facebook posts reads, ‘*Jhangora* or Barnyard Millet, grown in Himalayan State of Uttarakhand, is one of the oldest foods known to mankind. *Jhangora* is a superfood easy to digest due to it being gluten free, highly nutritious and non-acidic. It is considered to be the least allergenic and most digestible grains available.’ He goes on to provide the recipe for making *kheer*, a milk-based dessert which traditionally uses rice or semolina.

Asha Devi and Kartik Bhatt are just two examples of the sea change in technology enablement that is sweeping rural India. There has been a 93 per cent year-on-year boost in the number of rural mobile Internet users in the past year, and the number of monthly active users of the Internet reached 351 million in 2021 (MediaNews4u.com, 2022). New users are embracing the mobile Internet, driven by content – which they are not only consuming but also creating on YouTube, and a plethora of video-sharing mobile apps, connections – over 38 per cent of the rural population spends between one and two hours daily on WhatsApp, and commerce. As value-based shopping and concepts such as farm-to-table take root, the rural market presents a USD 10–12 billion opportunity for e-commerce firms.

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Rapid adoption of the Internet and the emergence of technology in new areas are expected to create over 2.8 million jobs in rural India by 2029. However, the transformation underway is not only economic, but also social and cultural. And coronavirus has thrown a googly – to use a cricketing metaphor – into the field.

While digital inequity is well on its way to vanishing, coronavirus has brought into focus the vast challenges the country, especially the countryside, faces in healthcare and education. The spotlight has also been shed on India's vast migrant population, originating in the villages, representing an economic resource and yet there seems to be no policy or mechanism to either provide them with the support they seek or leverage their skill. Even as technology, mobility and targeted interventions have vastly increased the exposure of rural women to new opportunities, the realization of their aspiration continues to be inhibited by traditional social structures and oppression.

The challenges are well known and well documented. To employ a rural metaphor, this book is an endeavour to draw attention to the greener pastures, rather than the scorched earth. It is an account of the stories of many players, individual, corporate, non-profit and start-up, which have pioneered India's rural transformation, in the belief that they are quickly scaled up and serve as a guiding light for sustainable development.

It's a dramatic change in mindset in rural India that interests us the most. No matter how many roads are built, how many villages are electrified and whether there is agrarian reform or not – unless the mindset changes from one of dependence to self-determination, from acceptance of the status quo to making the change happen, rural India will lag urban India. And I am delighted to tell you that, yes, there's a groundswell of change that is sweeping the countryside, which is great news for businesses, policymakers and our society at large.

Part A

Why Does Rural India Matter, More Than Ever?

By 2036, India is projected to be home to some 1.52 billion people, having overtaken China around 2031. While the proportion of its rural population will decline from 69 per cent to 61 per cent, some 931 million people will still be living in the villages (Report of the National Commission on Population (NCP), Ministry of Health and Family Welfare, Government of India, 2020). Rural India is simply too large an agglomeration to ignore. It is complex in its composition and contours, and it is changing faster than ever.

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Chapter 1

The Intersection of Agriculture and Technology

With the agriculture sector accounting for 18 per cent of the country's GDP and providing employment to 50 per cent of its workforce, India remains an agrarian nation. But even as agriculture provides the maximum livelihood, its share in national income has been declining, from 22.6 per cent in 2005 to 14.4 per cent in 2019. This decline has been caused by many factors.

Eighty per cent of India's farmers are small and medium farmers, who own between three and five acres of land. The average income of small and medium farmers in India is less than the poverty line of USD 1.25 (approximately ₹ 100) per day. One-third of these farmers cultivate fruits of tall growing trees, like coconuts, mangoes, apples, etc. Since small and medium farmers can sow only two crop cycles, and fruit farmers only have one annual crop cycle, most interventions to increase their income have focussed on introducing a new crop cycle or a new crop that has better market prices.

Policy regimes such as the minimum support price (MSP) and the public distribution systems (PDS), along with subsidies on farm inputs, irrigation and power, have favoured the cultivation of staple crops like wheat and rice. Though climate-resilient and nutritious cereals such as millets and sorghum received support pricing, this has not been very effective in bringing larger acreage under cultivation.

For farmers, learning to grow a new crop has a steep learning curve. They see it as a high-risk intervention – should the new trial crop fail, the farmer will lose all income for the year. This is why farmers require interventions that do not substitute their current agricultural practices, rather reduce risk to their existing farm structure and provide added value.

Dairy has often been used to create a supplemental revenue stream for farmers and has proven to be very lucrative farm produce with the shortest cash flow cycle. Fruit farms are uniquely positioned to do this as the ground below their high growing trees is lying fallow and available to grow fodder and other crops. However, it has always been seen as an independent revenue stream and few efforts have been made to optimally leverage the by-products of cattle rearing and dairy.

Farmers in India, or in any country for that matter, don't grow crops because they are interested in the country's food security. Farming is about livelihood – what they seek are income and profitability. Most major agricultural reforms

in India have however been centred around production, not on enhancing the farmer's income. That may have been necessary at a time when feeding a large population was the imperative.

Once India gained self-sufficiency in food production, that goal should no longer be pursued. What is required is a move from a production-centric infrastructure to a market-centric infrastructure, and give market access to farmers with small landholding.

What will make farmers make the transition are suitable financial incentives, a strong value chain and new consumer behaviours. The coronavirus pandemic may have just created the opportunity to bring in these changes, at a time when India emerged from a historic lockdown. As part of its relief package, the central government has earmarked ₹ 1,000 billion for the establishment of an Agricultural Infrastructure Fund, which is to be utilized for creating farm gate infrastructure, including setting up of cold chains and post-harvest infrastructure. The improvement of agricultural infrastructure will surely drive the market for agri-inputs including tractors, irrigation pumpsets, fertilizer and pesticides.

In the 1960s, the government set up organized wholesale markets called Agricultural Produce Market Committees (APMCs) for farmers to sell their produce to traders. But marginal farmers, who had only small lots to sell, could not access them without going through intermediaries. The traders and commission agents working within a particular APMC developed monopoly practices: they cartelized, in a manner that the farmers did not receive the benefits of transparent pricing.

In June 2020, the central government announced that it was possible for farmers and business to work together without being constricted by APMCs. This provides impetus for farmers to do business directly with private companies. It has also permitted private organizations to offer value-added services such as logistics, warehousing and access to consumers without worrying about paying stipulated APMC fees.

This system involves the construction of a new market architecture. At its base lies a foundation of retail agriculture markets, situated within 5 or 6 km from the farm gate. These feed into the wholesale market APMCs, and also link to export markets. More important than increasing the direct reach of these markets is their integration. The new Electronic National Agriculture Market (eNAM) integrates the physically dispersed markets, thereby increasing the universe of players, and allows traders to bid transparently for the lots of produce.

It has already been seen that when farmers and traders use eNAM, cartelization breaks down. As a metric of success, the number of bids per lot has increased from 1.8 to 4.8. In a competitive marketplace, price discovery and realization are better and work to the advantage of the farmer.

The attention to strengthening the market will solve three problems: it will create effective solutions to bottlenecks that caused some farmers to be excluded, it will heighten their commercial orientation to guarantee sustainability and continuity and it will introduce flexibility linked to customer requirements. A movement to link the farm gate to the market is the result of progressive government initiatives, as well as smartphone penetration, data availability through Jio, WhatsApp and better credit availability.

These changes also create significant opportunity for farm mechanization. Less than one-fifth of India's farmers use farm machinery, and this is one of the main reasons for low productivity. India's agricultural productivity is 43rd in the world, with many farmers being off-grid. Banks have been reluctant to lend to farmers for farm mechanization because of their high default rates.

The regulatory changes have created an opportunity for agri-tech start-ups to partner with farmers and transform their agriculture practices.

Take the manual removal of weeds, a labour-intensive and time-consuming task, which results in farmers having to pay out USD 20 billion every year. Every farmer, depending on the size of their farm, must pay between ₹ 20,000 and ₹ 100,000 towards the cost of manual labour to clear their fields of parasitic weeds. Bengaluru-based robotics start-up Tartan Sense works with the red chilli farmers of Guntur, Andhra Pradesh, to prepare their fields for sowing (Krishna, 2020). The company's robots use computer vision to clear out an acre of land in 90 minutes, a task that would take a human three to four days to complete. Not only do Tartan Sense's robots lower the cost of clearing to a third, they also ensure that a large percentage of the crop is harvested. With five robots at work for a collective of farmers in over 10 acres of land, the company believes that the use of the robots could be scaled up rapidly.

These new policies recognize that farmers and the market could do a lot with data. The dairy industry provides one such example.

The yield from an average Indian cow is only 8–12 l of milk per day, according to the Department of Animal Husbandry. The yield from a cow in the United States, in comparison, is 33 l, which allows the dairy farmer there to keep aside 35 per cent of the milk to produce value-added products.

Bengaluru-based StellApps is working with 270 dairies with access to three million farmers and nine million cows to improve the quality and yield of the milk through data-driven interventions. They have installed wearable devices on 500,000 cows to track their health, and have already checked the health of three million cows to assess their ability to produce good quality milk. The aim of this monitoring exercise is to use the data to improve yields and increase the number of processed dairy products such as butter and cheese.

Building on digital innovations, farmer producer organizations (FPOs) – a replacement for the co-operatives that got politicized over the years, are recognizing the benefits of aggregation, through better market price realization and better access to inputs. The number of FPOs has been growing at 18 per cent per year, and already 30 per cent of India's FPOs are selling their produce using electronic trading platforms.

That is the biggest impact one can expect from making agriculture attractive. Not because of productivity gains, but because it will be a source of income for a very large number of people, for whom it is the only, or the most important source of livelihood.

8 *The Future of India's Rural Markets*

Discussion questions:

1. In what ways does technology reduce the risks associated with farming?
2. What is the impact of technology on farm productivity?