

# PepsiCo may start contract farming in Jharkhand for wafers

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To tackle the shortfall in processing variety of potato in its Kolkata plant which in manufactures snack-food, PepsiCo India had sought permission from the Jharkhand government to undertake contract farming of 40,000 tonne of high-quality potato for wafers and namkeens. While state government is keen on welcoming the cola major, the company is yet to revert to the state government, sources told *FE*.

PepsiCo India currently consumes 30,000 tonne of potatoes annually for its Frito Lays brand of products. PepsiCo has an estimated 82% share of the potato-based products market. Frito Lays is the snack-food arm of PepsiCo India. It has three operational plants for various snacks varieties, including its biggest success story--Kurkure. While a bulk of its snacks are manufactured in Punjab and Maharashtra, the company's new plant at Kolkata (West Bengal) is where potato requirements are affected on account of quality and quantity of potatoes, sources said.

To ensure smooth inflow of good quality, Pep-

siCo India is also considering other locations near its Kolkata plant and proposal to the government of Jharkhand was amongst the options available to the company, sources told *FE*.

Earlier this year, Indra Nooyi, CFO of PepsiCo International, on her visit to India had highlighted snack-food business as one of the major thrust area of growth for PepsiCo India. Pepsi will be investing upwards of Rs 1,350

crore in India for expansion of various product portfolios, including snack-food business.

"The Jharkhand government has been promoting agri-business, next to mining and in that regard, it was keen on getting Pepsi growing Potato in the state," Arjun Munda, chief minister of Jharkhand CM's Jharkhand told *FE* earlier.

PepsiCo India is involved in contract farming in the state of Punjab and Maharashtra at a pre-determined price and employs more than 4,000

farmers directly. Ensuring a smooth flow of quality processing potato variety is important for the growth of Frito Lays business considering ITC is all set to enter the Rs 2,700 crore salty snack food market with its own variety of potato chips and wafers.

## CRUNCHY DEAL



- ▶ PepsiCo India has sought permission from Jharkhand for contract farming of 40,000 tonne of potato for wafers and namkeens
- ▶ The move is to tackle the shortage in processing variety of potato in Kolkata plant which manufactures snack foods
- ▶ State government welcomes the move