

STARTUPS OPPORTUNITIES TECHNOLOGY SUCCESS STORY LOGISTICS  
FINANCE INSURANCE MARKETING TRAVEL AUTOMOTIVE +

**SMALL**

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# ENTERPRISE

The Magazine for **Entrepreneurs of INDIA**

## TECHNOLOGY

Review:

- Kingston DataTraveler microDuo
- Apple iWork

## WOMEN ENTREPRENEUR

Green Carpet: A one stop shop  
for gardening needs

## TRAVEL

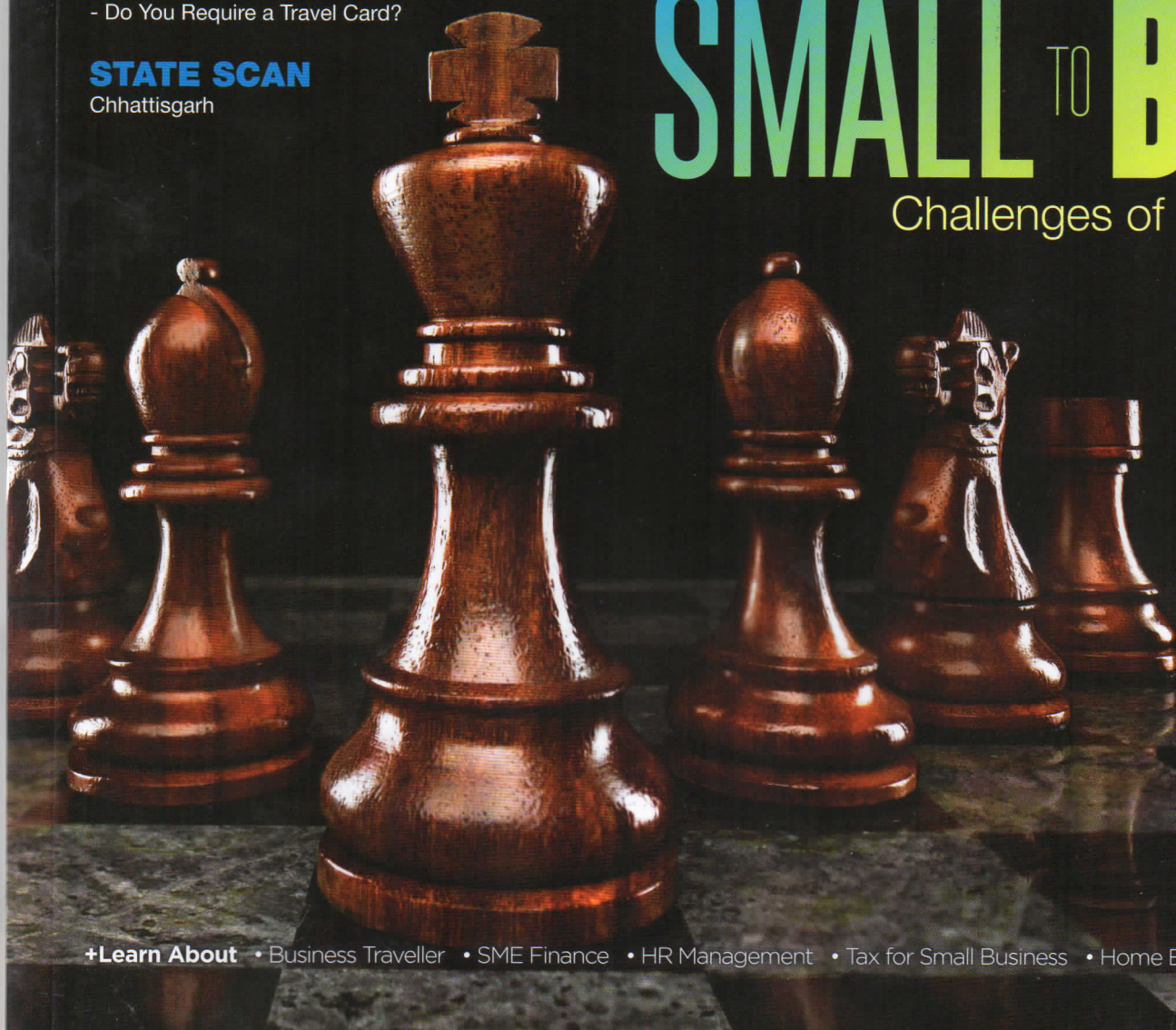
- Me & My Travel
- Do You Require a Travel Card?

## STATE SCAN

Chhattisgarh

# SMALL TO BIG

Challenges of Growth



+Learn About • Business Traveller • SME Finance • HR Management • Tax for Small Business • Home Based Business



## Challenges faced by Small & Medium Entrepreneurs (SMEs) in India in the field of Agri-logistics



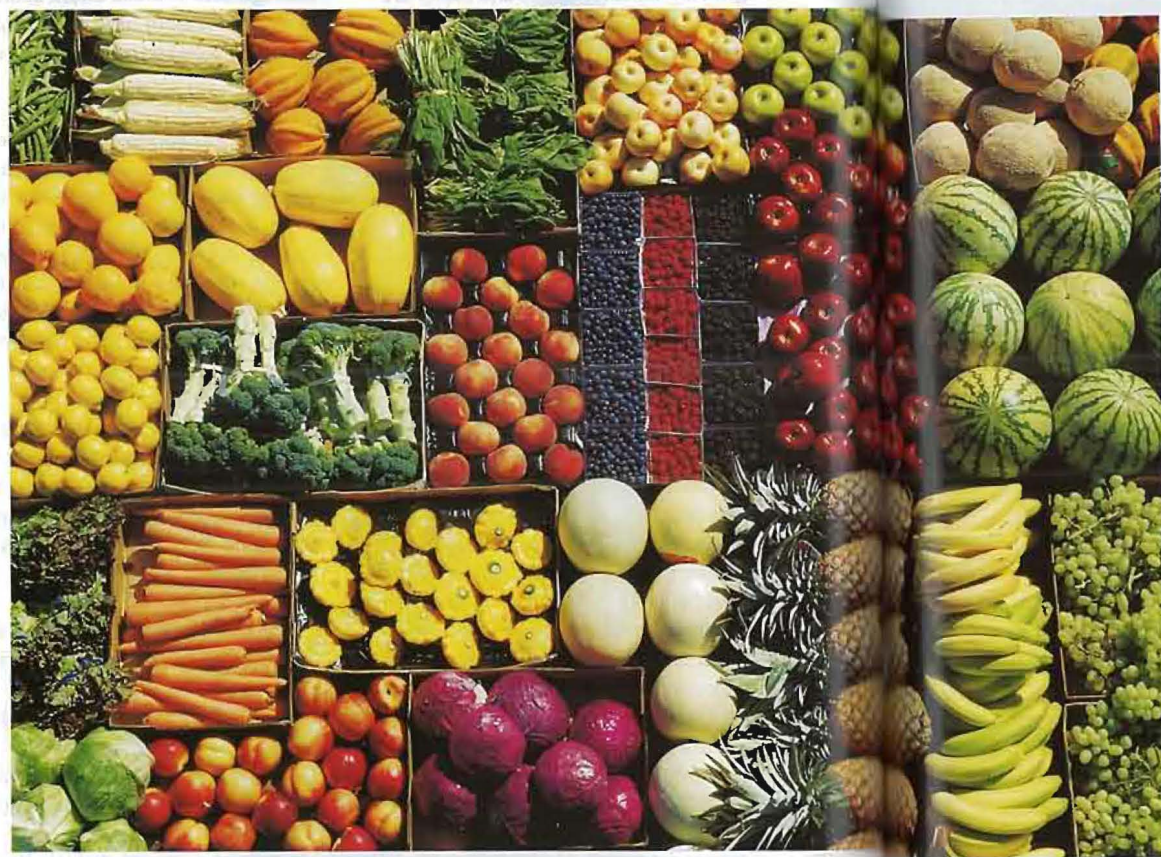
Sandeep Agarwal

While a large number of Indian youth is attracted towards ITES, there is another breed of entrepreneurs who have found passion in agri business.

SME's, whether in Agri logistics or otherwise, face enormous headwinds in India not only from the competition but also from the constant changing regulatory environment.

Having said that the most important point, being the fact that agri-logistics is in a nascent stage and is an evolving industry in India. To fully appreciate the issue let me brief you on the environment.

The Agri Industry post independence at the grass root level was governed by the APMC (Agri Produce Marketing Committee Act). The logic of the same was that agri yards were set up as regulated entities where farmers could bring their produce and sell the same after discovering the right price. This system led to various intermediaries leading to various challenges in the logistics part.



The above representation shows the agri chain from farm to fork and the various processes.

# CURRENT SCENARIO

To illustrate the humongous task of agri logistics, let us consider the current statistics

India is the 2nd largest producer of food in the world producing approximately 255 million Metric Tonnes. There are more than 7500 APMC yards across India each having their own set of rules and regulations

The agriculture sector is the principal source of livelihood for more than 58% of the population.

The Planning Commission maintains a projected demand of 247 MT by 2020 for food grain production

### INDIA HAS AN INSUFFICIENT AND AN INEFFICIENT WAREHOUSING STRUCTURE

- Over 60,000 crores of food is wasted in storage which represent 10% of food grain that is produced annually
- Over 6% of food grains is stored at farmer households

Storage and preservation is archaic and not based on scientific knowledge. The emphasis is wrongly placed on creation of infrastructure rather than on best practices of ensuring scientific storage in any available class of Infrastructure

Other issues include:

- Financing Issues
- Informal credit based on individual relationship
- Price discovery – arbitrary based on local demand and supply factors at every level in the value chain.

All the above led to a new class of Agri logistics players that were bent on putting the best of class procedures that would address these issues and were nimble and agile enough to ensure that they were addressing a need irrespective of infrastructure, geographic location, crop and weather pattern. Players like Sohan Lal Commodity Management (SLCM) which focused on deep domain knowledge with the best scientific storage principles and devised standard operating procedures that were not only scalable but were independent of Infrastructure and were giving solutions to problems rather than posing new requirements.

The above can be demonstrated as below







# THE NEW & EFFICIENT PARADIGM IS BORN

SLCM today has the distinction of getting their SOP patented under the aegis of AGRIREACH thus putting Indian Agri logistics on the world map. AGRIREACH has demonstrated that it can reduce the post harvest losses which are as high as 10% to 0.5%. The same was covered as a case study<sup>3</sup> by the Federation of Indian Chamber of Commerce and Industries (FICCI). Today SLCM's model has demonstrated that not only is it scalable and sustainable, it can also be the future road of Indian Agri Logistics. SLCM is proud of the fact that it has handled 507 warehouses with a capacity of more than 12.5 lakh metric tonnes spread across 20 states with an area of more than 67.9 lakh square feet and an output of 46.9 lakh Metric Tonnes.

## The Road Ahead

Agri logistic players need support from all quarters. They need to attract and retain the right stake holders by offering them tax incentives. The definition of negative list pertaining to agricultural warehousing should be expanded to include renting of space by the WSP from the owner of the space, fumigation and allied services. The service tax incurred on communication, travelling, electricity, etc, whilst providing agri-warehousing services, should be refunded to the service provider. These benefits coupled with direct tax benefits would attract more credible people to the industry and ensure that the quality of the WSP's as well as the systems is improved.

1. FOOD PROCESSING TRAINING CUM INCUBATION CENTER, Indian Institute of Crop Processing Technology, Ministry of Food Processing Industries, GOI
2. FAO "Research and development issues in grain post-harvest problems in Asia", <http://www.fao.org/wairdocs/x5002e/X5002e02.htm> .
3. The case study can be seen on <http://www.sohanlal.in/sites/default/files/ficci.pdf>

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\*The views expressed are personal