

Private Sector Initiatives in Agricultural Marketing in India

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Abstract

Agricultural products in India typically move through various intermediaries by the time they reach the end-user. These intermediaries no doubt contribute to the efficient delivery of agricultural produce but they also add costs to the final selling price. Entry of private sector into agricultural marketing has contributed to the reforms in the agricultural marketing sector. During the last decade, private sector organizations in the agricultural sector have adopted a few new models of marketing and distribution enhancing the efficiencies in the sector. This paper covers a few prominent Indian private sector initiatives which have added value to farmers in diverse ways.

Key Words: Private sector, Agricultural marketing

1. INTRODUCTION

As per the 2010 FAO World Agriculture statistics, India is the world's largest producer of many fresh fruits and vegetables, milk, major spices, select fresh meats, select fibrous crops such as jute, several staples such as millets and castor oil seed. India is the second largest producer of wheat and rice, the world's major food staples. India is also the world's second or third largest producer of several dry fruits, agriculture-based textile raw materials, roots, tuber crops, pulses, farmed fish, eggs, coconut, sugarcane and numerous vegetables. India is ranked within the world's five largest producers of over 80% of agricultural produce items, including many cash crops such as coffee and cotton, in 2010. India is also one of the world's five largest producers of livestock and poultry meat, with one of the fastest growth rates, as of 2011.

2. OBJECTIVES OF THE STUDY

- (a) To identify prominent initiatives in the agricultural marketing sector by Indian private sector organisations
- (b) To put forth suggestions to further improve the performance of agricultural marketing

3. PRIVATE SECTOR INITIATIVES IN AGRICULTURAL MARKETING IN INDIA:

The Private Sector participants in the Agriculture sector include, to name a few, the following entities: agri-business houses, agri-processing firms involved in contract farming, farmer organisations and producer co-operatives, non-government agencies, media and web-based agri-service providers, financial agencies, agri-consultants and informal extension agents.

A few prominent private sector organisations and the models adopted by these companies in Agricultural Marketing are discussed here:

3.1 E-Choupal:

Traditionally, in most parts of India, the farmer bought the agricultural inputs from the market and sold the products to market through the agents or brokers. These market intermediaries added costs to the products and this was resulting in limited returns accruing to the farmers. To address this problem, ITC, an Indian business group, came up with a concept of "e-choupals" in June 2000. An e-choupal typically involved setting up of a computer and Internet connectivity in an area of a few hundred square feet. An investment of about Rs 40,000 is needed to establish an e-choupal with dial-up connectivity. If a VSAT (Very Small Aperture Terminal) has to be mounted, the investment moves up to Rs 1,00,000. E-choupals are operated by a sanchalak (operator), a literate person who is elected from among the farmers of the village. He acts as an interface between the computer and the illiterate farmers, and retrieves information on their behalf. In a few north Indian states E-choupals have contributed to coping with the challenges of fragmented farms, weak infrastructure and involvement of numerous intermediaries. There are 6,500 e-choupals in operation in 40,000 villages in 10 states, positively affecting around 4 million farmers. [1]

In brief e-choupals:

- Make the agriculture supply chain more efficient and deliver value to its customers.
- Reduce existing marketing inefficiency in agriculture marketing due to multi-player structure of intermediaries.
- Provide modern infrastructure, technologies and distribution practices to cater to the agriculture sector.

3.2 One-stop agricultural support centres:

TATA Kisan Kendra:

A venture of the renowned TATA Business house of India, TATA Kisan Kendra aims to improve the plight of the farmers in India. Some of its services are:

- Tata Kisan Kendra provides different services like agro input service, farm equipment leasing, agronomy services, bulk blending, training and information and a few other allied services.
- It also provides the seeds, pesticides and fertilizers at affordable prices.
- It has also established crop clinics to provide the information regarding which crop to grow, when to grow and the specific amount of nutrients required.[3]

Hariyali Kisaan Baazaar (HKB):

DCM Shriram Consolidated Ltd. (DSCL), a leading diversified Indian corporate house with over 35 years of experience in the agri-input markets, has introduced an innovative business venture, Hariyali Kisaan Baazaar, which is an example of a commercially sustainable business model becoming the vehicle to bring about agricultural transformation and inclusive growth. It is the chain of agri-input retail stores and promoted by DCM Shriram Consolidated Ltd (DSCL).

Its main services are:

- Last-mile delivery of relevant Agri-technology
- Agri-Inputs : Provide a range of inputs such as seeds, fertilizers, nutrients, pesticides
- Financial Services : Access to credit, insurance & banking services
- Market Linkages: Access to new markets/ buyers for farmers produce.
- Warehousing & Commodity exchanges : Providing farmers with quality warehousing facilities & access to commodity exchanges
- Household Goods: Provides a range of good quality household goods for the farmer's family.

Hariyali's alignment with objectives of inclusive growth have been:

1. Investment in Rural Infrastructure:

- Each centre, set up over 2-3 acres of land, provides need-based infrastructure to the farmers.
- Facilities include a warehouse for agri-inputs or farm produce, an agri-advisory centre equipped with qualified agronomists, a veterinary centre with qualified veterinary doctors & availability of medicines, an information centre with IT linkage to a team of scientists
- Availability of diesel and petrol.
- Addition of bank branches & ATMs to these centres will help in achieving the government's objective of taking credit to the micro level.

2. Improving farmer's productivity & profitability

- Provide 24X7 technology support through a team of dedicated qualified agronomists

- Critical last mile delivery of agri-advice to the farmers to ensure adoption of appropriate modern agri- practices.
- Focus is on shifting farmers from subsistence to technology- led commercial farming.

3. Aggregation of Farm Produce

- Fragmented land-holdings, a major constraint in Indian farming.
- Create the opportunity to aggregate farm produce & market it to buyers hitherto inaccessible to individual farmers.

4. Access to information & Use of IT

- Use of IT to provide online support on latest technical advancements
- Weather forecasts
- Mandi (market) prices
- Fair & transparent billing to farmers
- Maintain extensive farmer databases with micro information about the farmers' field to provide customized service to the farmers. [4]

3.3. Contract Farming:

In 1998, Pepsi Co started Informal Contract Farming in India. In Contract Farming, the farmer is contracted to plant the contractor's crop on his land. The farmer is expected to harvest and deliver to the contractor, a quantum of produce, based upon anticipated yield and contracted acreage. This could be at a pre-determined price. The contractor may supply the farmer with selected inputs to improve the yield.

Contract Farming can be considered as a viable method to enhance agricultural productivity along with the assurance to provide the pre-determined prices to the farmers.

Traditionally contract farming was confined to production of sugarcane, tea, coffee, cotton, milk, etc. Contract farming has been gaining ground as a solution for assured supplies of uniform quality for processors and traders. Corporatisation of contract farming has potential to boost farm incomes and to increase global trade of Indian agri-produce. The farmers, especially small farmers also benefit in the process from diversification, technological up-gradation and assured market. The pace of contract farming is on the rise after the amendment to APMC Act by the state governments.

Contract farming is one of the options to create a friendly environment within the private sector for agriculture development and extensions of services which deals with the system for the production and supply of agricultural and horticultural produce under forward contracts between producers/ suppliers and buyers.

PepsiCo. Contract farming – key facts:

- PepsiCo India's potato farming programme connects with more than 12,000 farmer families across six states.
- PepsiCo provides farmers with superior seeds, timely agricultural inputs and supply of agricultural implements free of charge.

- PepsiCo has an assured buy-back mechanism at a prefixed rate with farmers, insulating them from market price fluctuations.
- By tying up with up with State Bank of India, a leading Indian bank, PepsiCo helps farmers get credit at a lower rate of interest.
- PepsiCo has arranged weather insurance for farmers through tie-up with ICICI Lombard, an Indian general insurance company.
- PepsiCo boasts of a a retention ratio of over 90%
- In 2010, farmers who had contracted with PepsiCo in West Bengal registered a 100% growth in crop output.[5][6]

3.4 Agri-business Franchising:

An agribusiness franchise can be defined as — a right, permission, or license (often established by contract) granted by an agribusiness firm (called the franchisor or franchising agency) to another agribusiness firm (called the franchisee) for the latter to distribute, manufacture, and/or use the trade name of the former's products and services usually in a specified territory assigned to the latter firm by the former firm. (Fosu, 1989. p. 96). There are several variations of Agri-business Franchising in India and one of them, SAPPL, is discussed below. SAPPL Model: SAPPL is a private potato supply chain company- works through franchise model. SAPPL has set up a new network of 36 franchisees in collaboration with a development project in Uttar Pradesh that provides farm input supply and produces buyback services to smallholders. The development project, Sunhara India, is funded by Bill and Melinda Gates Foundation and Implemented by Agribusiness Systems International (ASI), a US-based non-profit consulting firm. The franchisees are the hubs from which farmers seek and obtain various services like input supply, extension advice and disposal of their output of potato on a pre-agreed price and market outlet. The franchisees are appointed by SAPPL which has extensive experience with farmers and the potato crop and works in many states of India in potato seed supply and output procurement and in turn supplies to various potato processors. SAPPL provides all the information, products and even services like soil testing to the farmers through the franchisees and buys back the potato crop thus completing the whole value chain of the potato crop. The SAPPL franchise contract specifies the categories of the products to be supplied i.e. chemical fertilisers, organic or bio-fertilisers, micronutrient formulations, all crop protection chemicals including bio-control agents, packaging materials, seeds, potato seeds, irrigation equipment, and farm equipments, and controls retail price of the products supplied by it to the franchisees. It also specifies the related signage and display as per the preferences of the franchiser. A franchisee is supposed to spare/offer a minimum investment for the business of franchising. It also offers training to franchisees from time to time as per its contract and even to farmers who were clients of the franchisee. All payments for products are made on delivery in cash or by cheque and, therefore, there is no credit sale or transfer of materials, and the franchisee pays a one-time fee to the franchiser. Thus, product ownership is transferred to the franchisees on

delivery and payment for the same. Further, a minimum quantity of the products supplied by the franchiser is to be maintained by the franchisee at all times. The conditions for becoming a SAPPL franchisee includes: having farmer base, accounting knowledge, no political or criminal background and some investment capacity.

In 2012-13, six new franchises paid the franchise fee on their own. SAPPL helped with training, input supply, and in some cases with input licenses. The franchisee in general could sell all non-potato inputs from other companies. The services offered by the franchisee includes: supply of inputs (potato and other crop seeds/pesticides/fertilisers), soil and water testing, agricultural implements, technical advisory, training, technology demonstration, and trained spray crew. Proposed services included: crop insurance, and institutional farm credit. [5]

SAPPL made a difference to the franchisee turnover which had 13-90% of total turnover from potato based business alone, it being as much 60-90% in case of new franchisees. They had farmer base of 200-500 farmers each. Most of them did not provide equipment rental as yet with one doing with own equipment. The franchisees were quite appreciative of the new business brought in by potato seeds and buy back of the produce as it was input intensive and high value business especially seed. [7][8]

3.5 Cold chains:

India is in dire need of a cold-chain network to enable storage and transportation of fresh produce. The few cold storages that are currently in operation are not being leveraged. Refrigerated trucks which would transport over long distances and periods of time and therefore complement the cold chains are also required in substantial numbers. Currently, open trucks are being used to transport fresh produce to the “mandis” resulting in high losses.

Integrated cold chains are being set up in India by the government as well as private sector companies. These cold chains are needed for perishable products such as Fruits and Vegetables and other perishable allied agri – commodities to reduce wastages and improve the gains to farmers and consumers substantially.

Future Consumer Enterprise Limited (FCEL) a subsidiary of one of the leading Indian retail business groups, Future Group, has come up with “India Food Park” (IFP) in Tumkur, near Bengaluru city in Karnataka, India under public-private partnership (PPP) model. It is a first-of-its-kind integrated food park to be commissioned and has been developed with close partnership and support of Union Ministry of Food Processing Industries and the State Government of Karnataka. IFP integrates the whole food value chain-- from “farm to fork” -- under the same roof.

FCEL-owned India Food Park is a 10-acre world class facility which boasts of cutting edge cold chain infrastructure, pulping and IQF lines, spiral freezers, mechanised sorting facilities, packaging and quality testing centers. It also houses rice, spice flour mills, grain silos, warehouses and R&D centers. Committed to

environmental sustainability, IFP has built up rain water harvesting capacity of 4.5 million metric tons.

Notably, the park has 7500 square meter of earmarked MSME facilities for entrepreneurs and food producers, a plug and play facility, with flexibility and inbuilt modularity, and packaging units. Several home-bred and multinational companies will also be establishing own production facilities at the park. After completion, IFP will have close to 50 units for food processing and exclusive plants for manufacturing of Indian savories and snacks, frozen food products, chutneys, pasta, dry fruits and nuts, chocolates, etc.

As per FCEL, India Food Park aims to positively impact the livelihoods of farmers, manufacturers and agri-entrepreneurs in Tumkur and other districts and states in the vicinity. It will generate employment for almost 10,000 people in due course. It is anticipated that sizeable share of the produce from the park will be exported overseas, thereby bringing in more revenues.

Alongside farmers, manufactures and marketers, India Food Park project proposes to add value to end-consumers as well, in terms of product quality, variety and availability. IFP, being a fully automated facility, will produce food compliance with highest quality standards. Utilizing its mechanized sorting, grading and thermal ripening facilities, it will offer packaged fruit and vegetables that have high quality and hygiene, are free of ripening chemicals and available through the whole year. The food park will also help launch new food products that cater to local palate and food traditions. Adding to it, the large-scale freezing and cold chain capacity will enable introduction of more frozen and ready-to-eat food varieties in the Indian market. [11]

4. CONCLUSION

The level of progress and the degree of penetration achieved by private sector in agri-marketing in India indicates that it ably and promisingly complements the considerable efforts and infrastructure committed by the government organizations in agri-marketing.

5. SUGGESTIONS

The success of the private sector in agri-marketing could be further enhanced by the following (a) increasing the range of services by the private sector to provide a “one-stop-shop” and “single-window” assistance to the farmers (b) soft and low-interest financing by the financial institutions both to the private sector companies and to the farmers (c) using the private sector agri-marketing outlets to orient the farmers to latest trends, modern technologies and best practices (d) dynamic and interactive communication between the farmers and agri-marketing agencies to improve results in various areas.

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