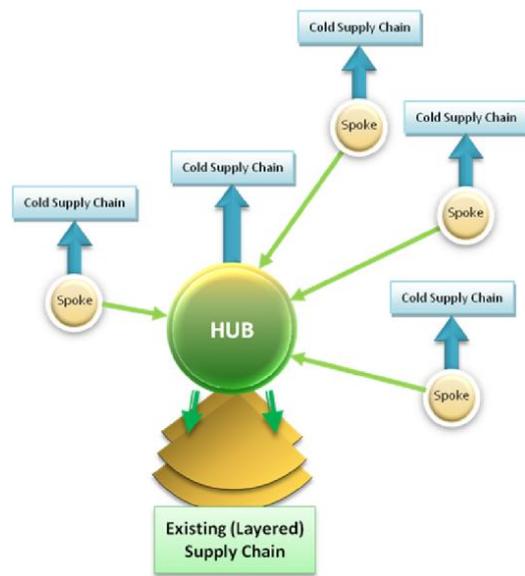


# Cold-chain is about Speed!

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Frequently cold-supply-chain strategists are asked to help develop models for a laudable vision, one that **envisions a revenue multiplier for farmers-producers**. This Vision is typically presented alongside tactical options, those that focus on enabling small farmers to offset their sales by storing their weekly or seasonal produce, thus avoiding peak season price drops. This is also expected to avoid distress sales due to low shelf life of the perishable produce. Ergo the cold-store, viewed as a buffer that can extend the trade opportunity, conceivably offering safe, risk free storage and defer the sales transaction to a more favourable future date.



This tactic lends itself to the core premise that the buying markets will pay a higher value at a later date, when supply patterns are low. This concept is true to an extent but does not leverage cold chain technology to the fullest. This can be termed as only a delaying tactic, as the transactional partners remain the same. In reality, the market does not change, the buyers remain same, and the location continues to be the local *mandi*.

The full extent of the original vision cannot be served merely by storing produce in cold storages, waiting to '**time the market**' for the '**right price**'.

Furthermore, the buying price will stay routed through the original multi-layered value system. This kind of intervention brings no real change in the market environment! At best, the delaying tactic promotes a trading mind-set and brings about none of the major changes that dynamic supply chains can do.

By merely deferring an imminent transaction, without any change to the extent and partners of the transaction, the operating model does not truly contribute as a **revenue multiplier** – that vision can best be arrived at by reaching out, **by multiplying the buyers, and as subsequence providing reason to enhance production and productivity**.

An intervention must lead to creating a win-win situation, one that will balance demand and supply. **The strategy to delay a trade does not convert a zero-sum-game into a win-win situation**. This is most applicable in case of high perishable goods where short term storing is not an in-depth solution.

**Zero sum game:** universal examples are gambling, futures & options, hoarding - wherever one's gain is another's loss.

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The prime reason for a distress sale must be clearly understood! The first is the perishable nature of the produce. The other, in tandem, is the fact that farmers sell into a monopolistic buyer market – the mandi closest to the farm. The first limitation is eternal; remember that even when within the cold-chain, the produce continues to have a closure date, its stays perishable!

What does perishability really mean... that whenever the produce is timed to exit the cold store, it continues to be subject to the distress need of a fast sale, more so if at a delayed date. Any smart buyer will still assess own demand and will continue to affect price realisation, intemperate to the seller.

A concept that primarily focuses on term based storage for local produce will merely continue to serve the same local mandis (*and only strengthen any exploitations at these mandis*). The concept of delaying a sale through the medium of cold storage is purely short term strategy and precludes the modern concept of market linked supply chains. Simply put, **a delayed sale is most likely a delayed recurrence** of the distress situation. That risk is not alleviated and while the bargain might well be a price higher than first, the associated risk and inventory holding cost is also accordingly raised.



In almost all cases, the cold store is not the complete solution. The majority of perishable crops need to be prepared to enter the cold store, if its full advantage is to be derived. In fact, without such pre-conditioning, a cold store entry is in all likelihood going to lead to poor quality, lead to desiccation and other problems. Have you noticed how imported produce, sourced from far away centres, thrive in our cold-chain - but our own domestic produce has a short life span within that same cold-chain network.

The difference is that the first makes a proper entry into the cold supply system and the latter makes a half-hearted entry at mandi level. Where our own domestic produce is routed through modern pack-houses, case in example grapes for export or bananas, they too do well and growth is visible.

The initiator of cold-chain, **in fact the nerve centre**, is the first point integrated pack-house where multiple supply lines are decided, prepared for and triggered. A pack-house decides which product flows in the cold-chain, sorts to send some to the normal supply chain and optimises yield by diverting other assortments to food processing factories.

The best use of the cold-chain should be to link fresh produce to a better paying market **today**; then next to assess to store any surplus for a market in the future! Expanding the market means covering distances or linking up with food processors. **Expanding market reach means reaching more users for gainful end-use and reducing the risk of Food Loss.**

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The sooner you can sell perishables, the faster you mitigate risk, better the cash flow, and lower the credit burden. When immediate market options are saturated, store so as to take advantage of lull periods in the supply chain or to build capacity for larger volume export options. Aiming for a higher price in the future is an option, getting the right price today is more important, especially when tomorrow is unsure in case of perishables.

Clearly the prime focus should be **market linkage** and **direct trade** with distant markets at **first instance**, with supply side storage only as a strategic buffer to maintain supply continuity as per demand patterns. Think of cold-chain as a pipeline that guides the products that keep flowing within. Use cold-chain links to connect the country, rural and urban alike, ensuring a regular and steady flow of food and medicines across sub-continental distances. The cold-chain should be used to carry goods closest to shelf.

As a first step, rural India needs to be dotted with pack-houses which will serve as production units.



Don't waste time – make haste for a sale!

Farmers need not be conditioned with hopes about timing markets like commodity traders... *(many apple storages find sufferance today since the chamber opening times are known and the local traders again manipulate the buying to the hoarder's detriment – after exiting the storage, the shelf life is again limited and traders take advantage of the fact)*. In any case, the sensible use of cold-chain is to ensure a steady state of food supply and **not to hoard** against demand, playing off the producer against the consumer.

**To reiterate, the trick to perishable marketing is to sell first, store later.** Aim to dispatch production for immediate sale, surplus must be linked first to demand across

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distances, use the shelf extension to expand the market footprint, use the storage to feed and sustain the supply lines (market linked storage), then repeat the cycle.

Any strategic development must aim to mitigate known risks, ensure higher profitability and lead to a larger market share. By applying technology to only delay a transaction without expanding the market reach is low-grade usage, suffices for some but does not extend technology to its full potential.

The strategy to extricate from adversely binding situations is to extend beyond such limiting barriers, to reach a larger market audience! **Storage of perishable fruit is best applied when directly linked to wider market demand** – store only the volume that is surplus to the existing immediate sales cycle and **only after first using all means to expand the scope of immediate returns**. Specially as extended operations in cold-chain can raise the ‘risk over time’ factor multi-fold.

The initial vision is served best by planning to expand reach and by connecting all our production areas with all our consumption centres, by developing constant flow of goods across these links, by applying logical network designs that minimise the need to store valuable goods, moving away **from a storage bias to a distribution bias**.

For the fresh market, **the cold-chain is about motion!**



**Cold-chain is the closest we have to a Silver Bullet,  
to alleviate Global Food Loss.**

- Pawanexh Kohli, *Cold-chain Insights*, NCCD Newsletter - Edn 6, 2014 ([www.NCCD.gov.in](http://www.NCCD.gov.in))