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India: Huge foreign investment opportunities in cold chain

India is a fast developing country with with the population's disposable income increasing rapidly. Demand for consumer goods and of course fresh produce is on the rise, but with this there comes the inevitable problems - how to get these products to the people who want them. Estimates place India's retail market at USD 425 billion (in 2010) and that it would be the 3rd largest retail market in the world in the next decade. From this, currently 61% of the spend is on food products.

At the recent Cool Logistics Conference in Antwerp, Belgium, Pawanexh Kohli, Principle Advisor at CrossTree techno-visors, outlined the problems in India's cold chain and opportunities for investment in the coming years as the country builds up infrastructure and prepares for the entrance of big retailers. He claims that despite both global and domestic suppliers coping with this demand by raising their output, the supply chain is unable to fill the gap and thereby feeds inflationary trends.

In recent years India had gone through a Green Revolution and a White revolution (both synonymous for its success in agriculture and Dairy sector). India is ranked globally in the top 2 for horticultural products and accounts for 17% of global milk production, the largest in the world. Yet the country is still not able to export enough of its surplus and as much as 40% of fresh produce is wasted, mainly due to lack of satisfactory handling in the supply chain. The consumer food retail sector is the fastest growing in the country, worth around 15 billion USD. Food outlets such as McDonalds and Dominoes have announced plans to double the number of outlets in the coming years. They too may find constraints due to lack of efficient supply chains to service their expansion.

At the moment 900 million tons of cargo is handled in Indian ports and the country has plans afoot to double this capacity in the next ten years, yet there is not a single dedicated perishables gateway or fast track corridor for perishable cargoes in the country. The country's containerization is said to be only 20% and the country is adding to its existing 174 inland container handling depots to build up greater container handling capacity. It is also the largest exporter of beef in the world, shipping 1.5 million tons mostly through reefer containers.

Mr Kohli outlines that the supply chain is currently not coping with the increasing supply volumes and there will be continual demand for improvement for the next decade. There has been a lot of investment in cold storage but not much in much needed transportation between growers, storage and customers. There are only four major manufacturers of reefer truck bodies in India and it can take between 90-120 days to get a complete reefer truck on the road. At the moment it takes a truck 6 days to travel the 2219km from Dehli to Bangalore, the average truck speed on Indian roads is 30 kms/hour and drivers also have to cope with frequent bottlenecks.

Pawanexh Kohli, who is also Chief Advisor to the govt's national centre for cold chain development, stated that India is a rapidly developing nation of a billion plus, who aspire greater quality and choice; that any modern cold chain that is developed today in this sub-continent, will bear fruits for the long foreseeable future. He said that India it is the time and place where magic can happen! From a country of traders, India is fast converting into a consumption mecca, and the supply chain has to ramp up to feed this demand – and the cold supply chain is needed the most acutely. While the nation may hotly debate the other FDI policy on multi-brand retail, the cold chain is already opened to foreign investors.

There are huge opportunities for foreign investment in the country. The majority of India's 1.2 billion population is agrarian and the country needs to ensure that their production does not go waste and returns fair value to producers and consumers. Capt. Kohli says to achieve this, "there is no alternative to an efficient and integrated cold chain, and India can no longer afford to wait". This fact is recognized by the Indian government and it has already permitted 100% foreign direct investment in the cold chain. Stakeholders are further provided hefty subsidies and grants. These range from 30% to 75% of the capital spend on developing a cold chain as well as various other tax benefits.

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