

TRAIN OF THOUGHT



An empowered group of ministers on food will meet to take a definite view on the total requirement of food grains under the Food Security Act and then we will take a view on export.

— Sharad Pawar, Agriculture Minister

on the government's decision to lift the export ban on wheat and non-basmati rice, in an interview with livemint.



Globalization of today's business operations calls for a special emphasis on the performance of supply networks. Green logistics in combination with intelligent systems can reduce burden on the environment.

— Dr Khaled Al Mazrouei, Founding President of Green Aviation Logistics Group, Middle East

on the trend of entrepreneurship in Indian logistics, in an interview with livemint.



Seeking cooperation of states in containing price rise, efforts are needed to improve farm productivity in agriculture, develop rural infrastructure and revamp public distribution system to address supply issues and contain inflation.

— D. Subbarao, RBI governor

while speaking at 24th Conference of the State Financial Secretaries.



With local retail chains and global retailers eyeing the Indian market, there is a greater demand for advanced warehousing services. The private warehousing sector which is highly fragmented should reorganize itself.

— Anil Khanna, MD, Blue Dart Express

in an interview with India Infoline.

Fresh Look At Cold Chain Sector

The cold chain sector is finally getting its due both from the government and the industry. In a curtain raiser, Pamela Cheema reports on the new developments.

As an emerging market with an economy which is developing at an exuberant and attractive growth rate, India needs an efficient and effective cold supply chain system which will continue to propel its growth upwards. While in the past cold chains or what in effect is the cold supply chain, were scarcely understood or worse, misinterpreted, leading to parlous conditions in the economy, today there appears to be widespread awareness that cold chains will vastly strengthen the economy. The government and industry too are reexamining the sector and have understood its potential for buoying the economy.

Natural Advantages

According to the Federation

of Indian Chambers of Commerce and Industry, food waste reached the incredible figure of ₹30,000 crore in 2010 (it has declined from the stratospheric level of ₹58,000 crore in 2004!). This despite the fact that India is the second largest producer of fruits and vegetables in the world, but with cold storage facilities available for only 10 percent of the produce. Industry sources disclose that the country is the fifth largest producer of eggs and the sixth largest producer of fish, but with an abysmal supply chain system, 35 percent of production is consigned with depressing regularity to the trash can. India has certain vital attributes and natural resources – it has 52 percent of the total land that can be cultivated as against 11

percent in the rest of the world and 20 diverse agro-climatic regions in the country. These advantages, if properly harnessed, could equip the country to feed not just its own people, but the rest of the world. A well-defined logistics and cold supply chain system working in tandem could power the country to this enviable position and also immeasurably energize its growth.

“Apart from rejuvenating its own economy, India could be the food basket of the world if we had an efficient cold chain supply system,” says Pawanexh Kohli, Founder of CrossTree techno-visors and Senior Vice-President, Arshiya International Ltd. “To be the food basket you have to export food to Europe, Dubai, Singapore, the US and maybe, one day, Africa and only



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— **Abhijit Upadhye**,
Senior Director-National
Supply Chain, McDonald’s
India

the cold chain will allow India to expand its portfolio of food exports.” Mr. Kohli received the Cold Chain Personality of The Year (Individual) award at the KPMG-Supply Chain Leadership Council Summit Awards on December 3, 2010.

Huge Market

Increasingly, the consumption pattern of Indian consumers is changing swiftly with more customers consuming frozen food and vegetables. Malls and food courts across the country, even in Tier-II and Tier-III cities, stock abundant quantities of perishable food to cater to this ever-increasing market. But acute deficiencies in the cold chain supply system have prevented this nascent industry from fulfilling its true potential and growth.

The market for cold chain supply systems is estimated to

balloon to \$9 billion by 2015 according to Mr. Kohli, who apart from being a cold chain specialist, offers innovative advice with a few professional peers on the website www.crosstree.info. Their entrepreneurial vim has cleared many of the misconceptions about the industry which now stands on the threshold of growth. The industry, however, will have to clear the obstacles in its path before it can dream of unfettered growth.

Hard Realities

The cold chain industry’s dreams of proliferation have been turfed out by hard realities on ground. Says Abhijit Upadhye, Senior Director-National Supply Chain, McDonald’s India: “There’s not enough demand for quality cold chains because high costs prevent usage of such facilities. A lot of companies are ready to compromise on such facilities. We are one of the few users of cold chains.”

But Mr. Kohli cites deeper reasons for the malaise. He believes that the industry has been established “in a very fragmented and unstructured way” by small and medium enterprises (SMEs) and single entrepreneurs in a manner which has not permitted development of skill sets. “The ground work has to be laid out carefully for any new industry which starts off,” argues Mr. Kohli. “After all, even with the software industry it took 12-15 years before it reached the stage where an Infosys could happen. So similarly, the cold chain industry which at one level has been around for 25 years, but at another level, where we are talking about a structured cold chain industry with organized

sourcing and moving of goods from one place to another, it has happened at a real scale for not more than four or five years. So this has not permitted any development of skill sets.”

The complicated nature of the industry has also hampered growth. In any other supply chain when a factory manufactures a product, the supply chain delivers it to the market, with an attractive price realization accruing to the product. The cold supply chain is the only supply chain which not only transports the value of the product, but actually affects the value realization of the product.

This is due to the fact that the cold supply chain transports fresh products which have to be delivered in a particular time matrix, else the price declines. Defective supply-chain Service Level Agreements (SLAs) and an inability to maintain required parameters force the price to slide further. “Any ordinary person who gets into the business,” notes Mr. Kohli, discussing the subject with great fervor, “is suddenly affected by debit notes, and penalties because he did not realize the operational excellence that needs to be maintained. While the rest of the supply chain says, ‘I’m carrying boxes’, in the cold chain you need to understand the product.”

Poor Industry Knowledge

A further impediment to the development of cold supply chains has been the government’s inability to understand the industry. For the government, the growth of cold chains has been unfortunately linked with the construction of cold stores which are just a component in a complicated supply chain. Industry sources reveal that over

the last 20 years the government has indulgently loosened its purse strings for the construction of cold stores. This has led to a proliferation of cold stores, especially in Uttar Pradesh and West Bengal. “Uttar Pradesh and West Bengal have above 50 percent of the cold storage capacity in India,” reveals Pradeep Dubey, General Manager, Snowman Frozen Foods Limited,” but most of them are just single commodity stores. In UP, where 41 percent of the stores are located, most of them are used for storing only potatoes.”

The construction of cold stores cannot be arbitrarily equated with the development of the cold supply chain industry. “Look, anyone who sells anything knows that you need to move to the market,” remarks Mr. Kohli candidly. “In the cold store, if you are going to store things long enough, it’s going



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— **Pradeep Dubey**,
General Manager,
Snowman Frozen Foods
Limited