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Are We Ready For The Bumper Harvests?

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It is time for mainstream approach to change so that warehousing industry is perceived as a [services](#) sector. Warehouses can become the distribution centres pan India



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14 July, 2016 by Sandeep Sabharwal

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India is the world's second-largest fruit producer, with an annual production of 46.8 million tons, accounting for 10 per cent of global fruit production. It is also the world's second-largest vegetable producer, with an output of 90.85 million tons, accounting for 14 per cent of global production.

Over 58 percent of rural population depends on agriculture as their primary means of livelihood. Even then, our farmers and ranchers are facing a lot of problems with two consecutive droughts and an ever tightening [budget](#) on agriculture subsidies. But this year, the country has promising prospects of bumper harvest with adequate rainfall in all parts of the country. Although, this is good news, a word of caution is nevertheless given that storage and warehousing facilities in the country are not matching to the expected levels. It questions our preparedness for the expected bumper crop. Do we have ample storage facilities? Will the precious produce be saved after the harvest? Will farmers make distress selling in the need of finance?

The data shows that warehousing shortfall are said to result in 7 per cent loss of food grains and 30% loss of fruits and vegetable while 10 per cent of valuable spices are lost during the storage period. But, the actual figures are much higher. The post harvest losses of agricultural commodities have been estimated between Rs. 70,000 - Rs. 80,000 crore (Only for dry goods). In a nation, where it is estimated that at least 200 million [people](#) go to bed empty stomach each night such post-harvest losses are bothersome.

According to India's erstwhile Planning Commission, an estimated gap of 35 million metric tonnes exists between agri - warehousing supply and demand. To make matters worse, the country's current cold storage capacity is only sufficient for ten per cent of fruits and vegetables produced domestically.

These statistics makes it much clear that the time is right for India to adopt scientific warehouse [management](#) practices to save on enormous post harvest losses.

Information Asymmetry

Unlike other industries, the country's warehousing sector is still to evolve technologically. There is a misnomer that suggests high crop losses are due to shortage of storage facilities. Rather, need of the hour is efficient warehouse management which still counts in restricted manner. Therefore, it is necessary to have a system in place where there is Real-Time Data available that tracks crop's location in storage and this could then be mapped and checked online. It is not necessary that crops that get moist due to rain get corroded immediately. A Real-Time [information](#) mechanism is essential whereby such crops and their condition can be quickly identified and remedial measures can be implied. Since, such a mechanism is unaccounted, post-harvest crop losses remain persistently high every year.

The need is to have clearly defined Standard Operating Procedures & its timely execution along with [regular](#) monitoring. Appropriate checks have to be made to the commodities during storage period along with timely taken suitable preventive & curative steps.

Farm Credit

Another major challenge of the sector is [credit](#) availability to farmers during the times of need. Although, through directives from RBI, banks are doing their bit, but the need of the hour is to help them to enable timely finance and enlarge rural credit basket. Mostly, agri - financing and collateral financing are not evolved to reach out to the small & marginal farmers. It doesn't give the farmers the benefit of using their crop as collateral or it links it with their credit worthiness, which makes the financial inclusion difficult.

The need is that companies should provide the solution of crop storage till they are ready to sell off the production in the market and offer short-term financing during that period purely based on collateral. It would allow them to avoid distress selling & store their crop safely. As today, farmers resort to desperate measures to cope with acute shortage of fodder and water. For some, the sale of cattle is important to wipe off debt, and others need [money](#) to perform marriages at home. Most farmers who practise distress selling lose some of their cattle to the drought, while others run out of fodder and water.

PPP Model

Traditionally, the warehousing in India was largely done by the government. Indian [Government](#) syndicated state-owned warehousing corporations & Food Corporation of India to promote better storage of agricultural commodities. But, the rapid rise of private entities after India's liberalisation has spurred the need for scientific warehousing for agriculture as well as non-agriculture products. And today, the requirement is for Public-Private Partnership to set new benchmarks & take the nation to the stage of self sufficiency in agri - sector & complete the supply chain for the retail sector. As today, warehouses comprise an integral part of the manufacturing supply chain, whereby goods are stored as inventory, prior to final despatch, distribution and sales. Nonetheless, warehousing is still largely unorganised, localised and fragmented, with no national standards mandated.

There has been much hearsay about e-mandis but vacuous mention about e-warehouses. It is time for mainstream approach to change so that warehousing industry is perceived as a [services](#) sector. Warehouses can become the distribution centres pan India.

Such loopholes should soon be covered if warehousing is to come of age and address the problems of post-harvest wastage in agri - commodities specially. Additionally, adoption of scientific warehouse [management](#) practices are indispensable if modern warehousing is to ensure; India becomes a food-secure nation, while transforming it into a global manufacturing hub.

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