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FOOD FOR THOUGHT

**SANDEEP
SABHARWAL** 

WAREHOUSING in India is witnessing shift in focus with increasing importance being ascribed to systems and processes. This is making agri-logistics independent of infrastructure and agnostic to geographic location. In India, warehousing is broadly classified into public-private, bonded, government and cooperative warehouses. It is still considered an asset heavy model which gives importance to creation of the warehousing space alone without any emphasis to efficient handling, scientific processes and management of the same.

Agriculture sector in India continues to employ over 58 per cent of the country's workforce despite declining share of agriculture and allied sectors contribution to the GDP which is currently around 17-18 per cent. This trend is likely to change with the government and private entities taking keen interest in empowering the sector.

Inefficiencies in supply chain continue to be the Achilles heel of the agriculture sector. It leads to heavy losses of commodities due to lack of proper storage and transportation facilities. It is estimated that approximately 10 per cent of the food grains are damaged because of poor storage facilities. There is also a huge gap in the quantity of agricultural produce and the available scientific management. This huge gap between the demand and supply of logistics services,

which was left unattended due to the unorganised nature of the market, has opened up many opportunities for private players.

As per a report issued by Knight Frank, total warehousing space requirement in India is expected to grow at a CAGR of 9 per cent from 919 million sq ft in 2014 to 1,439 million sq ft by 2019. The report says that manufacturing will continue to remain one of the biggest demand drivers of the warehousing sector with an annual requirement of 61 million sq ft of incremental space between 2014 and 2019.

India is the second largest producer of food grains, including fruits and vegetables, in the world with production of approximately 273.38 million metric tonnes (MT) in the 2016-17 crop year. Despite this, the annual post harvest loss in India is almost Rs 1 lakh crore. This makes it imperative to address the problem of losses in perishable commodities due to insufficient and inefficient warehousing structures & practices.

Farmers and other agriculture sector stakeholders often blame poor infrastructure for the losses in commodities. This is leading to false emphasis on creation of infrastructure rather than adopting innovative methods of scientific storage for managing warehouses. As per a FICCI study report, with scientific processes in warehousing management, the wastage of food grains in storage period can be reduced from the present 10 per cent to just a mere 0.5 per cent.

Traditionally, Indian companies have considered warehousing activity as an unavoidable expense and have tried to reduce this cost as much as possible leading to huge under-investment in

the sector. This is gradually changing with increasing competition and introduction of best global practices by some companies. This trend is also fomenting awareness about the importance of warehousing processes and the resultant benefits of managing an efficient supply chain.

The sector has also been constrained by regulatory barriers which has slowed down investments in development of storage and processing facilities; hampered the development of successful institutions; and deteriorated the condition of agricultural producers to be internationally competitive. In India, for example, being one of the largest producers of fruit and vegetables in the world, it has been estimated that inadequate post-harvest storage and transportation cause losses of around 30 per cent to 40 per cent of the entire produce. This means that only 7 per cent value addition takes place and only about 2 per cent of production is processed commercially.

In view of the wastage the production of food grains in India stands at approximately 177.7 million MT. Notably, to meet the growing demand of food grain production in India, the Planning Commission forecasts a projected actual demand of 256 MT by 2020 excluding the considerable wastage.

Role of warehouses has evolved from storage points to distribution centres over a period of time with the growing need to reduce the service response time and contain inventory cost. This is true for agri-warehouses as well making it imperative to operate the warehouses more efficiently with technology

and thus achieve greater integration with the rest of the supply chain modules.

Currently, the adoption of technology is low in the warehousing industry which is primarily dominated by unorganised players. Most of the companies use outdated technology and systems which are incapable of meeting current and projected requirements. This trend is likely to change with professionally managed logistics and warehousing companies taking lead in using information technology for managing supply chain efficiently to gain competitive advantage.

With the emphasis on better and innovative agri-warehousing services, technology is set to be the key enabler for growth of this sector. Changing times can be evidenced by seeing Real-Time technology with GPS and GEO tagging happening in warehouses that from a physical stand point look old and depleted.

From Real-Time crop health measurements like pest infestation levels to moisture readings of the crop to satellite imagery of the warehouses, the once asset-driven model now looks like a scene from erstwhile science fiction movie. Only this is the new reality, a reality wherein hand-held devices using mobiles are talking to satellites and delivering data to centralised servers which are analysing and converting the grain into monetised assets. Besides, "bar coded" storage receipts being put into practice by certain warehouses eliminate the risk of fraud to mostly negligible.

With India awakening to the tremendous potential of technology-driven innovation in the agri-warehousing sector, agriculture sector is all set to boost its contribution to the economic growth of the country.

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Food for thought

By Sandeep Sabharwal Jul 13 2017

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Warehousing in India is witnessing shift in focus with increasing importance being ascribed to systems and processes. This is making agri-logistics independent of infrastructure and agnostic to geographic location. In India, warehousing is broadly classified into public-private, bonded, government and co-operative warehouses. It is still considered an asset heavy model which gives importance to creation of the warehousing space alone without any emphasis to efficient handling, scientific processes and management of the same.

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(The writer is the CEO of SLCM Group)

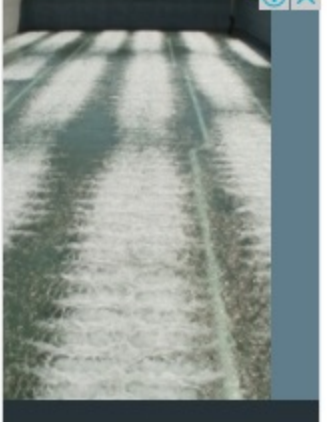
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