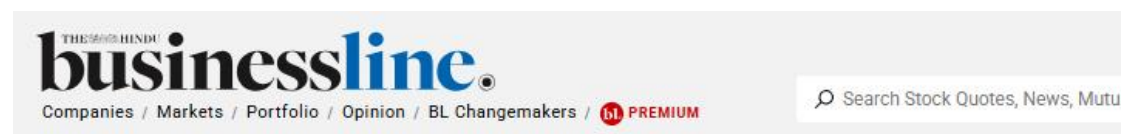




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AGRI BUSINESS

Why India's cold storages need collateral management?

For the agricultural sector to achieve genuine resilience, physical preservation must work in sync with structured trade finance

By Salman Ullah Khan

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India's agricultural ecosystem has witnessed remarkable progress over the past decade, with production reaching unprecedented levels across both foodgrain and horticulture. In 2024–25, the country recorded its highest-ever foodgrain production of 357.73

million tonnes, while horticulture production reached 362.08 million tonnes, underscoring India's emergence as one of the world's largest producers of agricultural commodities. This sustained growth reflects significant advancements in productivity, diversification towards high-value crops, and strengthened institutional support for the sector.

Despite these achievements, the post-harvest value chain continues to face considerable structural challenges. According to a NABCONS study commissioned by the Ministry of Food Processing Industries (MoFPI), post-harvest losses remain significant across major perishable commodities; up to 15 per cent for fruits and vegetables, with smaller but material losses for plantation crops, spices, and milk. The study attributes these losses primarily to inadequate harvesting practices, inefficient handling, insufficient scientific storage, fragmented logistics, and gaps in cold-chain infrastructure.

While India has made substantial investments in cold storage facilities and temperature-controlled logistics, extending the physical shelf life of perishable commodities, infrastructure alone is insufficient to address the underlying economic challenges. Farmers and other agri-stakeholders continue to face liquidity constraints immediately after harvest, often compelling them to undertake distress sales when market arrivals are at their peak, and prices are at their lowest. The absence of an integrated post-harvest ecosystem, combining scientific warehousing, quality certification, and warehouse receipt-based financing, continues to constrain value realization across the agricultural supply chain. Bridging these

gaps is critical to reducing post-harvest losses and improving farmer incomes.

The working capital conundrum in perishables

Agricultural markets in India are highly seasonal, causing distinct high-supply periods that drive prices down. When farmers, aggregators, and traders lack access to working capital, they are structurally forced into distress sales. Durable commodities like grains have long benefited from warehouse receipt financing, but high-value perishables stored in cold environments have historically been excluded from formal credit systems.

Traditional financial institutions are often hesitant to lend against perishable commodities due to spoilage risk and temperature fluctuations. Without specialised oversight and without structured collateral management, they view cold-stored inventory as high-risk. Collateral management establishes a rigorous framework that gives banks the risk mitigation they require, accelerating the flow of credit to the ground level.

Mitigating risk through professional custodianship

The integration of collateral management into cold storage redefines operational accountability:

Quality Assurance and Auditing: Cold storage commodities require precise monitoring of temperature, relative humidity, and gas levels. Collateral managers provide independent auditing and quality checks to prevent deterioration during the loan tenure.

Mitigating Pilferage and Substitution: A third-party legal custodian takes charge of the stocks under clear Collateral Management Agreements, eliminating the risk of unauthorised substitution or pilferage and assuring lenders that the collateral remains intact.

Real-Time Scientific Monitoring: Modern collateral management uses IoT-enabled data logging devices to track microclimates inside cold chambers. Any deviation from the optimal temperature threshold triggers real-time alerts, enabling preventive action before spoilage occurs.

Driving price stabilization and farmer welfare

When cold storage units adopt robust collateral management protocols, the benefits extend across the entire agricultural value chain. Access to commodity-backed financing lets market participants hold inventory through harvest gluts and release it when demand spikes, smoothing out market arrivals and stabilising retail prices for perishable commodities, protecting consumers from extreme price volatility.

Conclusion: Synchronising infrastructure and finance

India's cold chain networks are expanding rapidly, supported by technological advancements and public sector funding initiatives. However, physical infrastructure is only half the solution. For the agricultural sector to achieve genuine resilience, physical preservation must work in sync with structured trade finance.

Collateral management provides the trust architecture needed to lower credit risk for lenders and optimise returns for producers, treating cold storage as an integration of scientific preservation and financial risk management essential to securing the agrarian economy's future.

The author is CBO Cum Director, at Sohan Lal Commodity Management Limited

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