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AGRI BUSINESS

The new economics of agri warehousing: Securing assets, securing returns PREMIUM

When risk visibility extends across the entire duration of the commodity journey, capital flows naturally and efficiently toward value creation

By Sachin Gupta

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Agriculture remains a fundamental driver of economic stability, yet its post-harvest landscape has historically been constrained by systemic fragmentation and unpredictable losses. For decades, the storage of agricultural produce was viewed merely as a passive,

physical necessity and a mere means to shelter inventory until market demand arose. However, a significant paradigm shift is altering this traditional viewpoint.

The modernisation of post-harvest infrastructure, combined with advanced asset-management frameworks, has given rise to the “new economics” of agri warehousing. Under this modern economic model, the warehouse is no longer just a structural shell; it has transformed into a dynamic financial hub where securing physical assets directly correlates with securing predictable institutional returns. This evolution shifts agricultural storage into a cornerstone of financial risk management, altering how financial institutions perceive the viability of agricultural assets.

The problem of traditional structural blind spots

In traditional agricultural supply chains, the primary bottleneck to seamless financial integration has been uncertainty. Lenders and institutional investors face recurring risks related to quantity discrepancies, qualitative degradation, and tracking opacity within storage facilities. When a commodity cannot be verified with absolute certainty, its viability as collateral diminishes, leading to higher financing costs, tighter credit access, and elevated non-performing asset (NPA) risks. Historically, this opacity forced financial institutions to rely heavily on extensive borrower credit scores and personal guarantees, effectively ignoring the inherent value of the physical commodity itself. Consequently, vast amounts of capital remained locked out of the agricultural sector, starving mid-tier processors, small traders, and grassroots organizations of vital liquidity.

Mitigating risk through tech-driven oversight

The new economics model addresses this gap by replacing uncertainty with tech-driven process oversight. By introducing standardised operating procedures that integrate physical logistics with digital transparency, we change the risk profile of stored commodities. This structural evolution rests on a multi-layered framework designed to mitigate physical and operational vulnerabilities:

- **Scientific storage and quality preservation:** Implementing rigorous, infrastructure-agnostic scientific controls reduces post-harvest spoilage and preservation losses significantly. Preserving the qualitative integrity of the commodity ensures that its underlying market value remains stable over the duration of the storage cycle.
- **Real-time surveillance and digital access:** The deployment of centralized monitoring, automated audit systems, and electronic gate controls eliminates the information asymmetry that historically plagued independent warehouses. Real-time visibility ensures that inventory data is constantly updated, auditable, and immutable.
- **AI-driven quality assessment:** Replacing manual sampling with objective, AI- and machine-learning-based testing tools provides instant, transparent, and standardized quality reports. This shifts valuation away from fair-average-quality estimates to the exact parameters of the specific lot.

Unlocking liquid assets and investor confidence

When these parameters are established, a physical commodity ceases to be a static inventory risk and shifts into a highly liquid, financeable asset class. This conversion is where the financial

returns of the new warehousing economics materialize. For banking institutions and non-banking financial companies (NBFCs), structured and professional warehouse management provides a reliable mitigation shield. Because the collateral is actively monitored, verified, and preserved, the likelihood of default driven by collateral degradation or fraud drops toward zero. This systemic predictability builds a bridge of trust between the rural agricultural economy and urban financial markets, ensuring that asset value is preserved from harvest all the way through to ultimate market delivery.

Driving capital efficiency across the ecosystem

Consequently, financial institutions gain the necessary risk confidence to lower credit barriers and extend scalable warehouse receipt financing to traders, processors, and smallholders alike. This creates a highly efficient cycle of capital allocation. Lower risk indicators allow lenders to optimize their capital deployment, lower processing turnaround times, and offer more competitive interest rates while safeguarding their portfolio quality. The availability of structured capital ensures that market participants are not forced into distress selling during peak harvest gluts, thereby stabilising broader commodity prices.

Furthermore, this economic model shifts the broader agricultural ecosystem away from transaction-based lending to ecosystem-based financing. When risk visibility extends across the entire duration of the commodity journey, capital flows naturally and efficiently toward value creation. The ultimate outcome of the new economics of agri warehousing is a resilient structure where optimized risk

controls unlock sustainable financial returns, establishing a predictable, secure environment for both capital providers and agricultural stakeholders. By locking in asset security, the sector unlocks robust financial performance, paving the way for a more sustainable, well-funded agricultural future.

The author is CFO cum Director, Sohan Lal Commodity Management Limited

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