

PROCESSED FOOD

COMPATIBILITY OF INDIAN LOGISTICS INFRASTRUCTURE

Processed food is growing at a fast pace in India. The demand for ready-to-eat meals, healthy and immunity boosting food choices, safe and processed snacks have also become drivers to growth. Home delivery of packaged and processed food has shifted from mere convenience to a necessity. The challenges of the pandemic have created immense opportunities to drive both investments and infrastructure.

India is one of the largest producers of most of the foodgrains, sugar and



ABOUT THE AUTHORS



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edible oils, but the focus of the food processing industry largely has been on beverages and dairy products. This is further corroborated by the fact that less than 10% of India's grains / oilseed output is being processed. This opens up large possibilities and opportunities to scale both in terms of the processed food industry and the logistics that surround it.

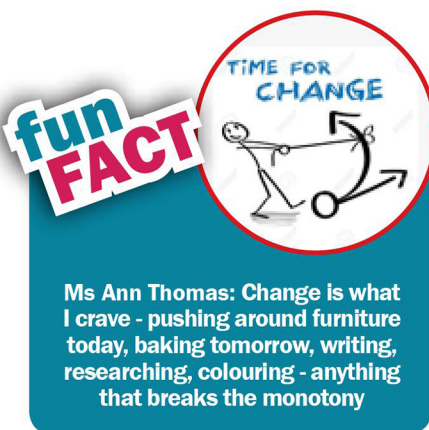
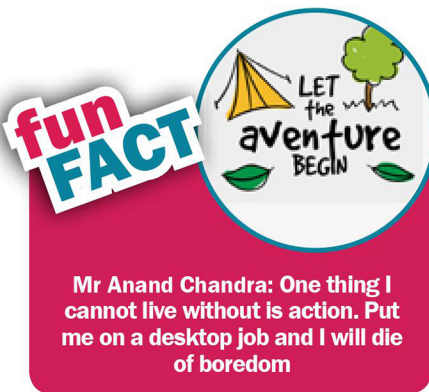
With urbanisation and increasing access to the market through interventions of e-market players, consumer preferences have seen a shift from unpackaged to branded and packaged goods. This has set up the platform for exponential growth for India's food processing industry. By 2024, the food processing industry is expected

to attract USD 33 bn investments and generate employment for around 9 million people. By 2030, our annual consumption is expected to make India the fifth largest consumer.

To bolster this growth, efforts need to be directed to strengthen the distribution channels, enhance the logistics infrastructure, ramp up the technology and digitisation of value chains. Alongside implementation of emerging technology such as artificial intelligence, machine learning, blockchain and IoT can create enormous breakthroughs. Emerging technologies can be a game-changer in building a strong logistics foundation which can enhance the traceability and ensure proper mapping of supply with demand.

Value addition for Impact

Farmers have been forced to sell their produce in distress immediately after harvest, when prices are often at their lowest. Surplus gets wasted or dumped to save transportation costs which are higher than the commodity value or due to lack of access to consumer



markets. According to the United Nations Development Programme, up to 40 per cent of the perishable food produced in India is wasted. Food Processing is essential to reduce wastage. With the right balance of storage infrastructure and food processing a large part of these perishable commodities can be stored, packaged, marketed and preserved for later consumption and better returns.

Approximately 60 percent of India's rural households still depend primarily on agriculture for employment. To increase their incomes and generate further employment, value addition to their produce through primary level and secondary level food processing comes through as an easy solution.

As India's largest agri-warehousing player, with 85 percent of our operations in primary and secondary agricultural markets, we at Arya have found great success in working with Farmer Producer Organisations in meeting the growing needs of the food industry.

The Role of FPOs

As FPOs farmers aggregate the farmers' produce, a primary level of quality assessment in the form of sorting and grading perishable commodities like Tomato, Potato etc at the farmgates can save costs and improve returns. Once the products have been graded, these can easily be categorised for immediate sale, storage and processing. With FPOs aggregating the produce on behalf of the members farmers, large volumes enable access to far off markets at rationalised transportation costs.

Value addition through simple processes of drying, pickling, pulping, etc can ensure greater returns for produce and save huge wastage of food produce. Improved logistics and distribution channels allow access to new markets and direct consumers. The farmers can easily connect to consumers anywhere across the world with homegrown produce, if equipped with food customization and promotion of ethnic food chains.



Logistics for Processed Food

Being a key enabler of multiple other industries operating in the country, the advancement of the logistics sector is critical to ensure an overall growth of the Indian economy. According to Fortune India, India's logistics sector, currently valued at USD 160 billion, is expected to grow at a CAGR of 10 percent to USD 215 billion by 2022.

Implementation of advanced technology and refined processes to boost knowledge, improvements and new strategies is key to attain profitability. With planning, implementation and control of goods through digitisation of commodity, movements have become faster and efficient.

Only 10-15 percent of the Indian logistics market is owned by organised players. With the pressing need to reduce logistics costs, India's highly fragmented logistics market would benefit to get more organised or aggregated. There is still the need for an integrated well-knit network of logistics enablers-rail, road, air and waterways.

The recent stimulus package of Rs 1.5-lakh-crore announced by GOI to strengthen logistics is a positive step in this direction. The introduction of mega food parks with Plug and Play Infrastructure for agri-commodities can effectively add value to the value chains. Mega food parks are envisaged to bring together



farmers, processors and retailers in a well-defined agri/horticultural zone with state of the art infrastructure including collection centers, primary processing centers, central processing centers and cold chains.

Strengthening our cold chain infrastructure with refrigerated transport to bridge gaps in the value chain and improved market linkages are key to the growth of the agri-processing industry. Another criteria to improve logistics of processed food is to push for research and developments in the packaging sector for transportation of these packaged foods. Better packaging will bolster the growth of the industry and increase the income of the producer by

increasing the shelf life, reducing damage in transit and increasing access to distant markets. Relevant packaging to preserve the produce while keeping quality intact during longer hours of transport can further facilitate the movement of produce. With the opening up of markets due to intervention of e-market players, the need for proper and sustainable packaging material is critical.

Building a robust logistics infrastructure and streamlining the agricultural supply chain is key to a stronger economy. It will minimise wastage, benefit allied sectors, generate employment and above all provide better prices to farmers improving their life and living conditions.