

October 2020



# Unlocking growth opportunities in agricultural supply chains



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# Recent structural changes

## Key objectives – barrier-free trade and efficient supply chains

### The Farmers' Produce Trade and Commerce Bill



Adequate flexibility to farmer to sell agri produce outside the notified agricultural produce market committee (APMC) market yards



Barrier-free interstate and intra-trade ecosystem and framework for e-commerce outside the physical premises of markets



Price and quality assurance framework for transparently engaging with processors, aggregators, retailers and exporters



Risk mitigation, assured returns and quality standardisation are integral parts of the framework

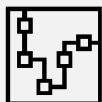
### The Essential Commodities Act (Amendment) Bill



Deregulation of food commodities, including cereals, edible oils, oilseeds, pulses, onion and potato



Stock limit to be imposed under very exceptional circumstances like national calamities, famine, war and extraordinary price rise



No such stock limit shall apply to processors or value chain participants, subject to their installed capacity or to any exporter, subject to the demand



Attracting investments for building supply chains and enhancing competitiveness in the agriculture sector

### The Farmers Agreement of Price Assurance and Farm Services Act



The process of price determination to be predefined by an agreement between a farmer and a buyer



Pricing of farming produce to be determined in the agreement for a with period of maximum five years



Agreement to be done for a minimum period of one crop season or one production cycle



Guaranteed price for the produce, plus any additional amount specified





## Myths and facts

	Concerns	Myths	Facts
<b>The Farmers' Produce Trade and Commerce (Promotion and Facilitation) Bill, 2020</b>	<ul style="list-style-type: none"> <li>• Will abolish APMC</li> <li>• Price discovery</li> <li>• Support infrastructure</li> <li>• Unsure of sales proceed</li> </ul>	<ul style="list-style-type: none"> <li>• MSP system will be terminated</li> <li>• Marketplaces will be abolished</li> </ul>	<ul style="list-style-type: none"> <li>• MSP will continue as earlier</li> <li>• Marketplaces will not be abolished</li> <li>• E-marketplaces to be promoted</li> <li>• Farmers and traders can choose to sell their produce outside marketplaces</li> </ul>
<b>The Essential Commodities (Amendment) Bill, 2020</b>	<ul style="list-style-type: none"> <li>• No APMC support</li> <li>• Price discovery mechanism</li> <li>• Support infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Rise in hoarding and black marketing by the private sector</li> <li>• Same traders will participate</li> </ul>	<ul style="list-style-type: none"> <li>• Free inter and intra-state trading without the burden of the APMC cess</li> <li>• Processors/exporters can retain stock</li> <li>• Government to monitor prices</li> </ul>
<b>The Farmers Agreement of Price Assurance and Farm Services Bill, 2020</b>	<ul style="list-style-type: none"> <li>• Will abolish APMC</li> <li>• Price discovery mechanism</li> <li>• Support infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Limited role of farmers in price determination</li> <li>• Small farmers will be neglected</li> <li>• Tough dispute resolution</li> </ul>	<ul style="list-style-type: none"> <li>• Assured price, lesser risk and cost</li> <li>• Direct selling option for farmers</li> <li>• Limited liability, better economies of scale through Farmer Producer Organisations (FPOs)</li> <li>• Easy local-level dispute resolution</li> </ul>



# Creating new opportunities

## The change drivers

### Readiness for buyer's intervention

Indicators	APMC-controlled organised value chains (cereals/pulses/oilseeds/cotton/nuts/spices/plantation crops, etc.)	Non-APMC controlled organised value chains for processing and export (selected fruits and vegetables)	Non-APMC controlled unorganised value chains (other fruits and vegetables)
FPOs/ farmers	●	●	●
Traders	●	●	●
Village collection centres	●	●	●
Digitalisation	●	●	●
Quality assessment	●	●	●
Reconciliation	●	●	●
Price monitoring	●	●	●
Direct procurement	●	●	●

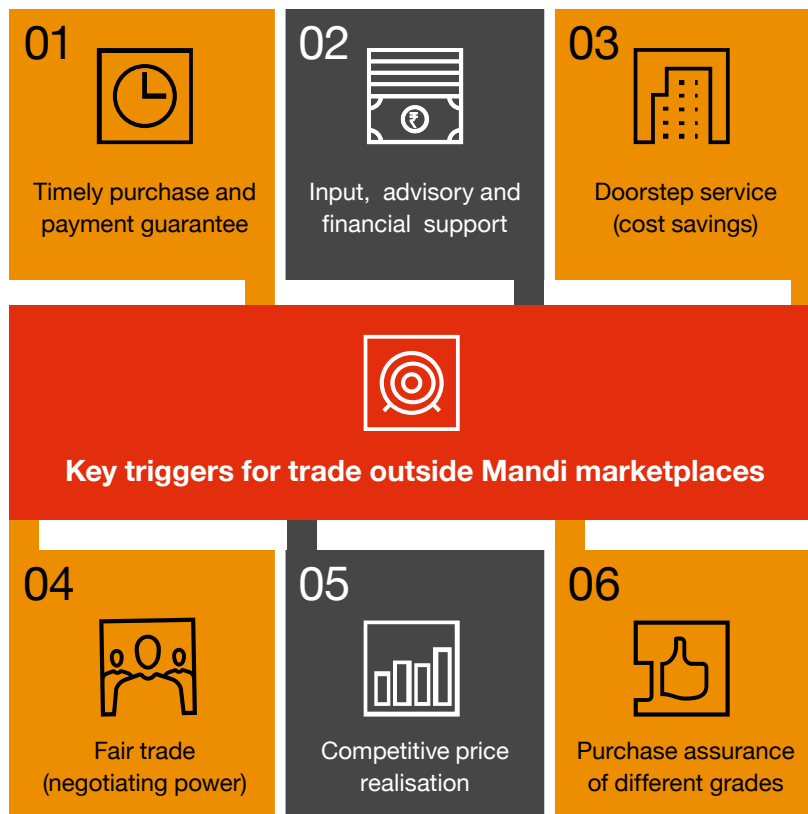
#### Readiness indicators

● High    ● Medium    ● Low

# Probable adoption trends

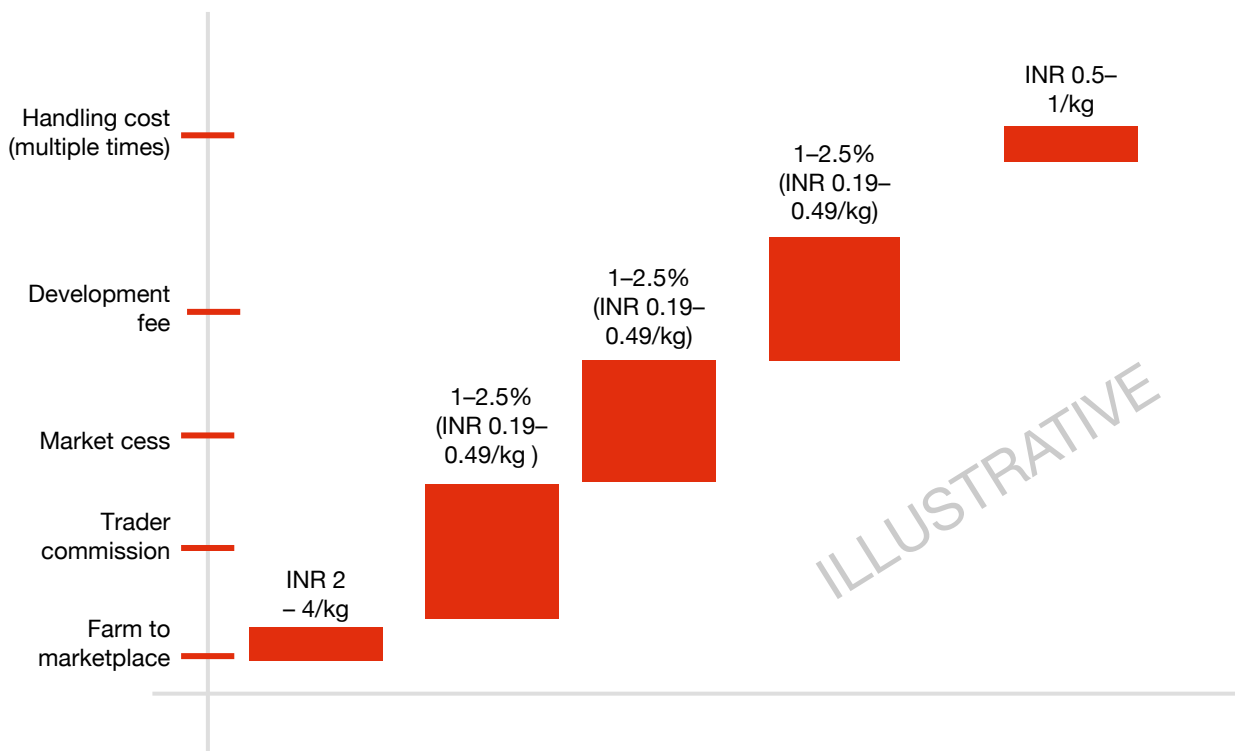
## Trading of commodities outside APMC marketplaces

01 Cereals, pulses, oilseeds and cotton	02 Crops for processing and export	03 Fruits and vegetables
<p>Paddy, wheat, maize, grams, groundnut, soybean, etc.</p>	<p>Nuts, spices, plantation crops, selected fruits and vegetables, etc.</p>	<p>Tomato, green vegetables, banana, litchi, orange, etc.</p>
<p><b>Easy to trade</b></p> <ul style="list-style-type: none"> <li>• Heavily dependent on APMC traders</li> <li>• MSP declared, longer shelf life</li> <li>• Larger lot size/trade volume</li> <li>• Standard and easy assaying process</li> <li>• Easily available storage facility with low transit loss</li> <li>• Large production clusters with organised value chains</li> </ul>	<p><b>Moderately easy to trade</b></p> <ul style="list-style-type: none"> <li>• Moderately dependent on APMC traders</li> <li>• MSP declared for a few, long shelf life</li> <li>• Variable lot size/trade volume</li> <li>• Year-round demand for processing</li> <li>• Complex assaying process</li> <li>• Specific production clusters with relatively organised value chains</li> </ul>	<p><b>Sensitive</b></p> <ul style="list-style-type: none"> <li>• Not dependent on APMC traders</li> <li>• No MSP, short shelf life</li> <li>• No fixed trade pattern</li> <li>• Lack of standard assaying system</li> <li>• Costly storage process with higher transit loss</li> <li>• Scattered production, unorganised/semi-organised value chains</li> </ul>



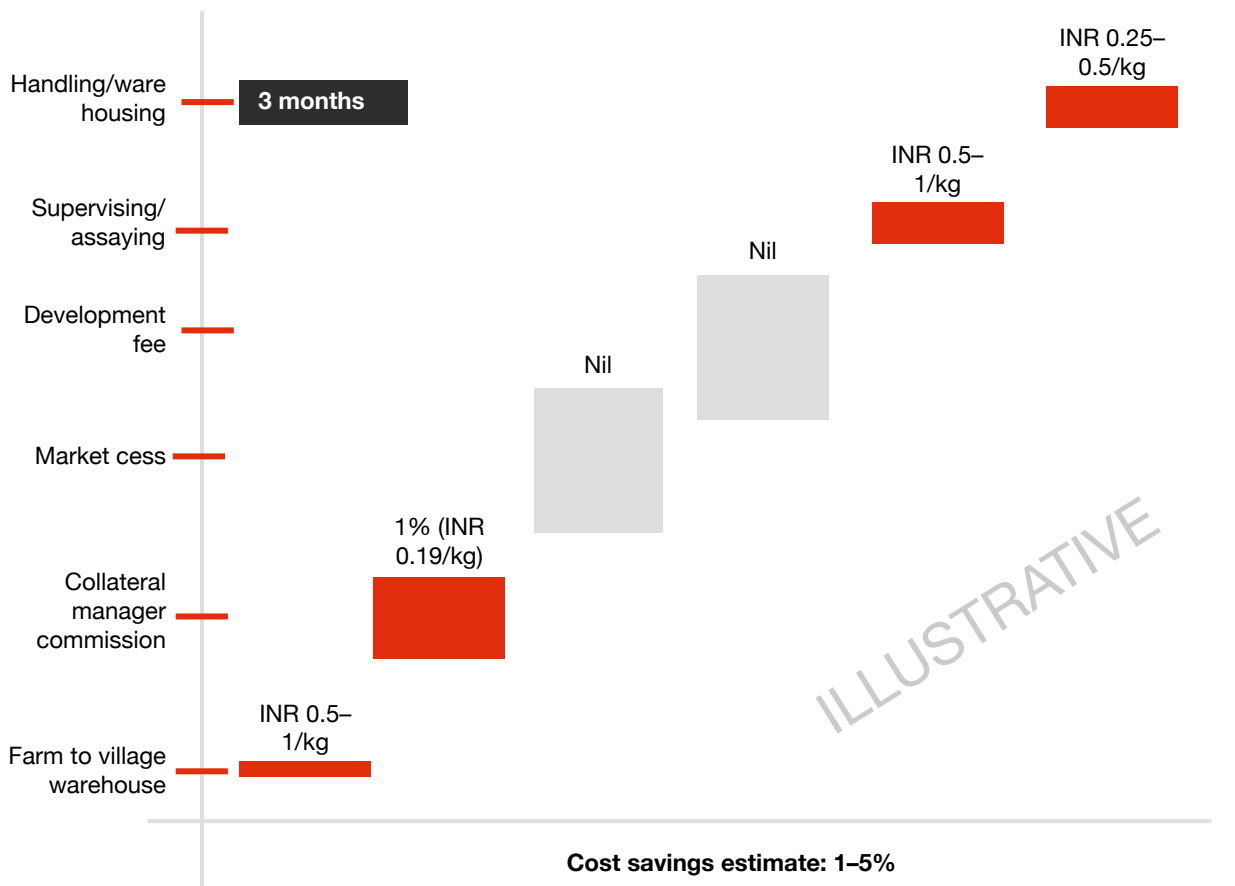
## Comparison of the APMC model with the existing model of direct sourcing from farmers

### APMC model (wheat in Punjab)



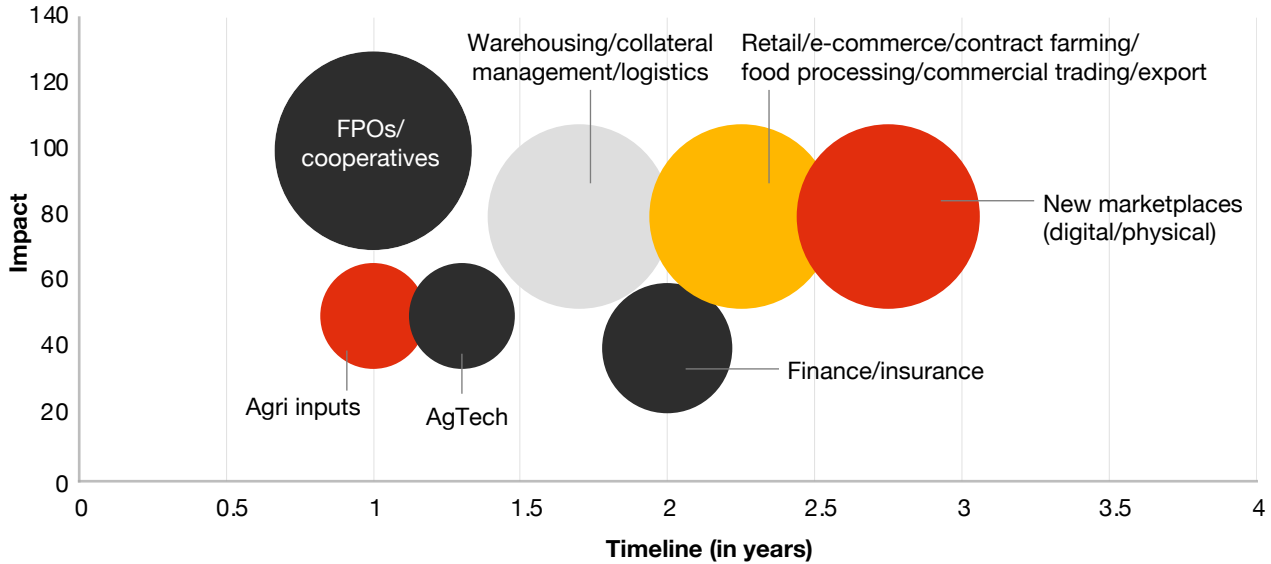
\*Calculations based on the MSP of wheat declared by the Government for 2020, i.e. INR 1,975 per quintal.

### New model (wheat)



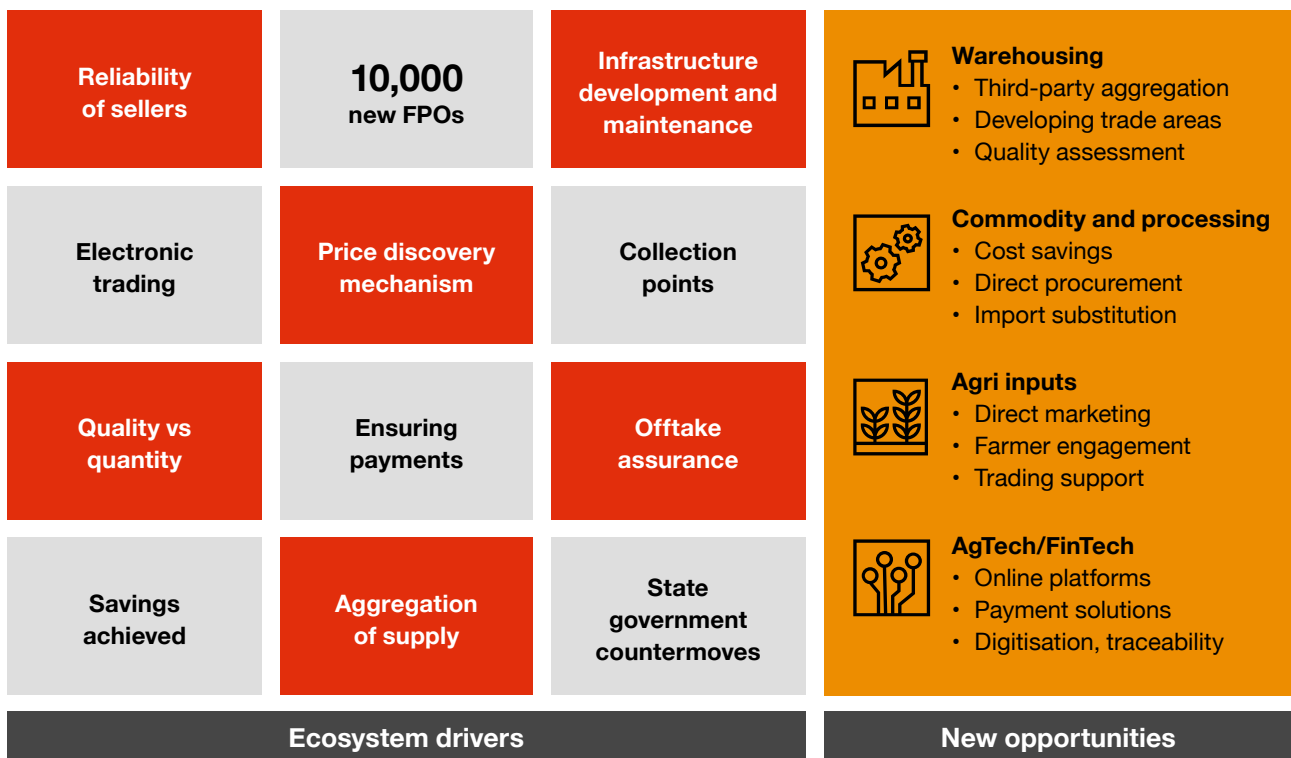
## Impact on stakeholders in the short and medium term

The recent bills passed by the Government of India (GoI) have been designed with a long-term vision to create a seamless 'one India' market for the stakeholders. The prime objective is to create the freedom of choice for farmers and traders for the sale and purchase of farmers' produce. We think that the reforms will impact all the stakeholders of the agricultural value chain, thereby creating new opportunities for them. The impact will begin to be realised in the next 2–3 years.



## Ecosystem drivers and opportunities

The GoI has laid the foundation towards the development of farmer collectives known as the FPOs. The existing FPO network across the country is going to emerge stronger with the formation of 10,000 new FPOs in the next five years. The FPO initiative, coupled by the recent agricultural reforms, will create the required facilitative framework for direct sourcing from farmers, along with the required investment in infrastructure by the stakeholders for providing value-added services to the farmers at their doorsteps.




# Way forward


	Short term	Medium term	Long term
<b>01</b> <b>Customer engagement through direct selling by leveraging FPOs</b>	Disturbance in the existing distribution channel	Sustainable engagement with farmers	
	Managing cash flow for the farmers		
	Identifying and assessing suitable FPOs		
<b>02</b> <b>Value chain linked financing to farmers</b>	Establishing the demand for value-chain finance	Customer retention with minimum defaults	
	Establishing the credit worthiness of FPOs		
<b>03</b> <b>Tripartite engagement in contract farming</b>	Ensuring the right contractual arrangement		
	Finding the right partner		
<b>04</b> <b>Buy-back arrangement and economies of scale</b>	Identifying and assessing suitable FPOs	Risk sharing with the FPOs	
	Entering into new segments entry		




# Key questions for discussion

The stakeholders in the agricultural value chain, who would like to tap into the new opportunities to build competitive advantage and stay ahead, will have to lay down a clear vision for themselves built around the levers of strengthening traditional and leveraging emerging networks, establishing synergy across the value chains, and enterprise digitisation.

Focus area	Questions
 <p data-bbox="196 790 368 943"><b>Strengthening traditional and leveraging emerging networks</b></p>	<ul style="list-style-type: none"> <li data-bbox="443 495 1276 555">• Are <b>FPOs/warehousing entities/electronic marketplaces</b> considered as <b>emerging trade channels/ partnerships for business enhancement</b>?</li> <li data-bbox="443 573 1171 602">• Is there <b>efficiency in engaging with emerging trade channels</b>?</li> <li data-bbox="443 620 1305 712">• What are the internal actions required for tapping into these channels and are there chances of any potential <b>conflicts with the traditional channels</b>? If so, how to mitigate them?</li> <li data-bbox="443 766 847 795">• Are <b>emerging channels scalable</b>?</li> <li data-bbox="443 813 1289 873">• How can we enhance <b>demand-generation activities</b> and link the same with networks to derive more predictable outcomes from marketing investments?</li> <li data-bbox="443 927 1310 987">• How can we <b>strengthen the farmer engagement model</b> to deliver faster and sustainable business growth?</li> <li data-bbox="443 1005 1283 1034">• How can we create and derive more <b>value from influential farmers/FPOs</b>?</li> <li data-bbox="443 1104 1222 1196">• Is there scope to relook at existing procurement structures to enhance <b>market reach, focus on high potential markets and penetrate emerging markets faster</b>?</li> </ul>

Focus area	Questions
 <p data-bbox="204 1641 352 1733"><b>Synergy across value chains</b></p>	<ul style="list-style-type: none"> <li data-bbox="443 1373 1342 1491">• How to enhance the <b>focus on operational excellence</b> by integrating <b>operations</b> and continuing to drive <b>operating efficiencies, enabling a streamlined, efficient and focused organisation</b>, while working to achieve <b>optimal cost structure</b> and creating a <b>strong culture</b> based on <b>productivity</b>?</li> <li data-bbox="443 1545 1302 1632">• How can we develop a strong relationship with the <b>farmers</b> and what are the <b>potential synergy benefits that can be derived from the recent structural changes</b>?</li> <li data-bbox="443 1650 1334 1711">• How can we utilize the benefits in the <b>short, medium and long term across the value chains</b>?</li> <li data-bbox="443 1765 1342 1852">• Is there any scope for synergy by engaging with other organisations who are accessing farmers as customers or are there any potential business opportunities that can enhance the value in the core activity of the farmers/customers?</li> </ul>



Focus area	Questions
 <p data-bbox="215 1653 347 1713"><b>Enterprise digitisation</b></p>	<ul style="list-style-type: none"> <li>• What are the <b>critical processes which require enhanced digitisation, resulting in a farmer-centric</b> and agile organisational approach for driving sustainable growth?</li> <li>• Which <b>digital interventions and tools</b> can be used for <b>farmer engagement, risk mitigation, market mapping and competitive advantage building</b>?</li> <li>• Which <b>new digital interventions and tools</b> can be used for <b>data capturing, data management, data visualisation and process automation to increase internal and external efficiency, and effectiveness</b>?</li> <li>• What are the <b>potential digital enablers</b> we can build <b>in and around the product portfolio</b> and choose the best possible option that ensures adequate value for money?</li> <li>• What are the <b>timelines, costs and benefits of enhanced digitisation</b>?</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• How can we help an organisation to <b>enhance data capturing quality and analytics</b> to aid <b>timely, on-the-go decision making</b> for addressing <b>field-level challenges</b>?</li> <li>• How can we use <b>digital tools for risk mitigation and advanced planning</b> in <b>field operations</b>?</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• What are the digital tools that can aid in <b>connecting and creating value for the traditional business partners</b>, and in attracting and engaging new business partners?</li> <li>• How can we create an <b>omnichannel experience</b> for customers covering the <b>discovering-to-buying cycle</b>?</li> </ul>

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