

STRAIGHT TALK



MR. SUROJIT SHOME

CEO & Country Head

Group, India

regionalised but today same trends as other Rabobank International



DR. U. S AWASTHI MD, Indian Farmers Fertiliser Cooperative Ltd. (IFFCO) industry.



A CHANANA Chairman The Amira Group

ability of ours to restrain food movement, whether it is imports, exports or movement within the country as it depreciates value and opportunity to all stake holders, making availability inconsistent to the consumers. The challenge and the opportunity also is to build large scale processing and distribution capacity in the country. This would further augment Indian produce to be branded nationally and

internationally.

Probably the biggest risk

don't even know how to

that India carries is that we



manage a plentiful situation. What we produce today is MR. ANIL K CHOUDHARY enough even for the project-MD & CEO ed requirement of 2020. But National Bulk we are letting the grain and Handling Corporation produce rot.

The global trade flow in agriculture is consistently increasing. 20 - 30 years ago agriculture was localised or agriculture largely follows the



decide... when a farmer produces 1 kg of wheat he should be allowed to sell it anywhere... Agriculture should be treated like an

The farmer cannot be subsidising the urban poor. We have to move away from this



FROM L TO R: Mr. T.K Arun, Editor- Opinion, ET, Mr. Ashok Gulati, Chairman, CACP, Mr. Surojit Shome, CEO & Country Head, Rabobank International Group, India, Mr. U.S Awasthi, MD, IFFCO, Mr. Dirk Jan Kennes, Global Strategist- FAR & Advisory, Rabobank International, Netherlands, Mr. Raju Kapoor, ED, NSAI

Freeing Food

An initiative by

TIMES

GREY CELL

NILAKSHI SHARMA

oti, Kapada aur Makkan is the age old triumvirate that has dominated the land-Ascape of politics and planning in India. The Food Strategy Summit organised by The Economic Times in New Delhi focused on the issue of food, which is beginning to require long term planning and management as our population continues to grow

and the demand for sustenance continues to increase. In the meantime, the agriculture sector of India continues to be plagued by a series of problems that range from under de-

velopment to mismanagement. The aim of the summit, which brought together diverse stakeholders in the sector, was to help articulate a comprehensive picture of the entire sector and also perhaps help formulate a solution, or at least the glimmer of an outline of one.

The welcome address was given by Mr. T K Arun, ET and the keynote address by Mr. Ashok Gulati, Chairman, CACP. As the panel pointed out, one of the biggest challenges facing the sector is to ensure food security for the nation even as the sector itself is in a marked state of decline. The panel, comprising Surojit Shome, CEO & Country Head, Rabobank International Group; Dr. U.S Awasthi, MD, IFFCO; Mr. Dirk Jan Kennes, Global Strategist, Rabobank International and Mr. Raju Kapoor, ED at the

NSAI outlined the issues. The growth is not only stagnant but complicated by issues such as accessibility of water for irrigation, power and

most of all, the incentive that would motivate farmers. And the aim of the first session was to not only identify the problems but also put them in the perspective of a larger framework; that of national planning, the role that the agriculture sector plays in an economy, the impact of trade balances upon the sector, etc. The second session focused on business end of the agriculture sector. The panellists placed the Indian sector in the global con-

text of agricultural trading. So while Mr. Jasper van Scaik, Head - Trade & Commodity Finance, Singapore, Rabobank International explained the trade flow model for agricul-

ture, others such as Mr. Anjani Sinha, MD & CEO, NSEL and Mr. Kevin Eikerman, MD, Adm Agro Industries Pvt. Ltd , Mr. Vijay Kumar, CBO, NCDE, Mr. Somit Mukherjee, Head-Procurement & Planning Deptt, Dabur India discussed some of the restrictions on Indian Agriculture that hamper its growth.

Agriculture is big business around the world, sensitive to international trends but far more prone to risk in some senses since so much of it, especially in the Indian context is managed less by planning and technology and more by chance. So the worry facing the investors is one of managing their risk and yet at the same time, ensuring investment in the sector without which Indian agriculture cannot grow and move into the next phase.

Of course, the state of agriculture in a nation is inextricably linked to the nutritional state of the nation. It is no surprise that the situation in India is not rosy. We are, as a nation, nutritionally challenged as pointed out by Dr. Pradipta Sahoo, Business Head - Horticulture, Mother Dairy Fruit & Vegetable Pvt. Ltd., Mr. Asitava Sen, Sr. Director & Head - FAR & Advisory, Rabobank Group looked the protein demand supply gap. And as yet we have also not achieved equal access to food for all the citizens. As the third session focused on managing the protein demands of a population it also emphasized that an integrated approach was the only solution. Others such as Mr. Bhupinder Singh, MD & CEO, Vista Processed Foods Pvt. Ltd. shared not only some possible models that had met with success but also, how apply them to the entire sector instead of the few pockets it had succeeded in.

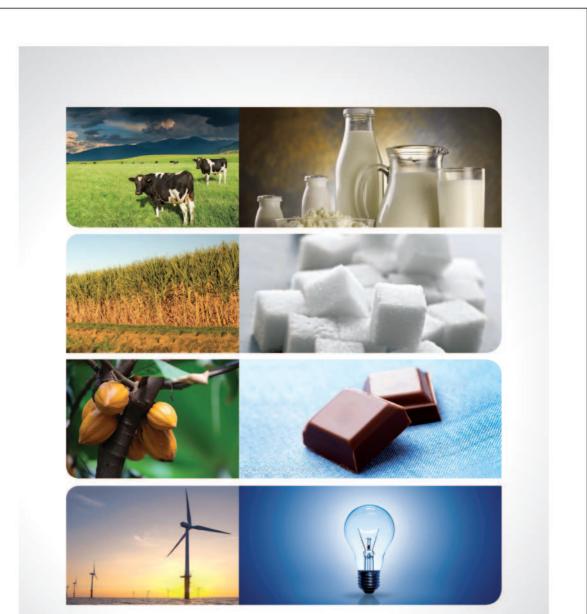
The last session looked at perhaps one of the most unique problems faced by the sector - Indian agriculture is dominated by severe fragmentation of landholdings, with the averA CONSUMER CONNECT INITIATIVE

age farm size being miniscule. This poses a challenge in terms of integration and planning. On the one hand is the example of the European agriculture model, which was explained by Mr. Mathjis Mondria, MD & Global Sector Head - Farm Inputs, Rabobank International. On the other hand was the perspective of Mr. Bhupen Dubey, Head -Operations, UPL, that small land holdings could be the key to success and not an obstacle. The picture that emerged overall was an interesting one.For a start, we need to make farming lucrative for the farmers instead of the grinding punishment it seems to have become. These thoughts were shared by: Mr. Anil Jain, MD & CEO, Jain Irrigation Systems Ltd., Mr. Sanjay Goenka, Director & President, 3F Oil palm Agrotech Pvt. Ltd., Mr. Swapan Kr. Datta, DDG, ICAR, Mr. Sachidanand Madan, Head - India Operations, Technico Agri Sciences Ltd.





Mr. Dirk Jan Kennes, Global Strategist - Farm Inputs, FAR & Advisory Rabobank International, Netherlands shares his view of the future of the global agriculture sector



NIDHI NATH SRINIVAS Editor - Commodities The Economic Times

Farming across the world is currently impacted by unpredictable weather. What does this mean for farm input and food industry?

Rabobank expects prices to remain high for the foreseeable future as investments to bring new land into production and to increase the sustainable use of farm inputs to raise yields are taking time to materialize. Weather induced supply bottlenecks have temporarily driven prices to record levels. Since 2007 we have seen 2 such price peaks and the third is currently in the making. So, price volatility has increased substantially. Higher agricultural commodity prices are good news for farm input companies because farmers have money in their pockets to spend on fertilisers, hybrid seeds, and farm equipment. In contrast, high agricultural prices put pressure on food processing margins. In a tough economic environment it is difficult for food processors to

pass on raw material price increases to their customers. More volatile prices however means increased supply chain risk for both farm input suppliers and food processors. Therefore they should make price risk and inventory risk management a priority.

Do you foresee acceleration in M&A in the global food industry this year? The current economic environment in which food processors are finding it harder to pass on higher raw material prices is triggering further consolidation. As the food industry is striving to reduce overcapacity in production and to improve its negotiation power towards the retailers and food service companies I expect weaker food processors to be taken over by industry consolidators or simply cease production.

What survival tips would you suggest for Indian agri-input companies?

On a tactical level make price risk and inventory risk management a priority and invest in market information. On a strategic level invest in crucial upstream activities like secured access to phosphate rock for phosphate fertiliser and invest in economies-of-scale to improve the negotiation position which will facilitate the passing on of volatility and risk downstream.

Indian fertilizer companies are scouting for opportunities overseas to secure raw material supply. What should be the top three criteria on their check list?

First and foremost Indian fertilizer companies should identify the right "supply mix". Which part of their demand should be sourced through purchases on the spot market, through long term supply contracts with partners and/or through investments in upstream operations. The "supply mix" likely differs for the 3 main fertilisers being nitrogen, phosphates, and potash. When considering investments in raw material supply the cost of production is a critical success factor. When lacking certain expertise selecting the right partner is crucial. Without expertise in potash mining one should invest in a company that has extensive mining expertise.

FOOD TO FORK

The Agriculture Produce Market Committee Act should be amended to make it more farmer friendly

OUR BUREAU, NEW DELHI

erishable commodities like fruits, vegetables, milk, eggs, meat and fish need massive investment in logistics and institutional engineering that can connect millions of small holders with organized agri-processors, retailers and exporters to improve supply and affordability, says Mr. Ashok Gulati, Chairman, Commission for Agricultural Costs and Prices (CACP) should be amended to make it more farmer friendly.

"Fruits and vegetables should imme-

diately be removed from the Agriculture Produce Market Committee Act.

This will soften prices of these perishable commodities. Madhya Pradesh has already done this. Moreover, retailers and food processors should directly connect with farmer groups for sourcing farm products to doaway with intermediary expenses," he added. In his view, the government should offer 50% subsidy for setting up cold chains in rural areas and promote use of solar energy to run these chains.

"Our food processing levels are less

than 5% of fruits and vegetables compared to several south-east Asian countries that hover between 30% and 70%. But this is not easy. We need to focus heavily on creating rural infrastructure and forming en-masse farmer groups in collaboration with NGOs, self help groups, agric-processors, modern retailers and agri-exporters for direct market linkage. Besides, the government should allow duty free import of agriprocessing machines and other incentives to promote food processing industries," he said.

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The Rabobank Group is committed to adding value to the business of each player in the global food chain. We furnish financial expertise in each link, from primary production to processing, to international trade, logistics and retail.



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