

Sanjeev Asthana: “Connecting farmers and consumers”

Finding new business models in retail is part of the challenge to make the food chain more sustainable. Sanjeev Asthana, president & chief executive, Agri & Food Supply Chain, Reliance Retail, created a supply chain connecting small Indian farmers directly to consumers.

More and better food

The growth of the world population, although slowing down, will continue in the next years to an expected peak of nine billion by 2050. Growth will largely take place in urban areas and in developing countries. This urban population will demand more and better food. Population growth and economic development will predominantly be seen in Asia which gradually becomes the world’s most important food import region. The Asian society shows both good and bad lifestyles which will become more tangible in the future. Already, India is being called the diabetes capital of the world.

With income growth, diets change. Many global food companies are adjusting their menus according to countries they operate in. Despite the differences, one similarity remains – an increase in meat and dairy consumption. While larger amounts of food are needed, it would need to be produced sustainably and take into account soil, water, climate and health aspects. It is alarming that while demand has increased, the annual growth rates of cereal yields per hectare have fallen, and per capita food production in the world has stagnated in the last six years. Food prices have increased in the same period. According to FAO, ten per cent of the needed yield increase must come from area expansion, 20 per cent from intensification and 70 per cent from innovation.



Food distribution will also be a great challenge. Grain production mostly takes place in the Americas and Australia, whereas consumption is the highest in Africa and Asia. In India and China, food chains used to be domestic but are quickly becoming global.

Climate change will impact food security strongly. It will hit farmers in developing countries the hardest. Temperature limits are being reached already for most major crops while farmers do not have money to invest and have limited access to irrigation technology or weather tracking systems. The resulting crop failures push many farmers off their land to cities. In addition to technological solutions, we would need to focus on conceptual and political change in line with international treaties such as those on Plant Genetic Resources and on Livestock Breed. When training small farmers, attention should be paid to indigenous breeds, self-reliance on seeds, fertilisers and agro forestry.

Indian challenges make an attractive market

India will be the world's third largest economy by 2040. Household incomes will rise sharply, mainly in urban areas. Compared with other Asian countries and the industrialised world, the Indian population remains relatively young. It is estimated that in 2050, more than 85 per cent of the population will be under 65. This will create more demand, increase quality and change the ways of consumption. India will also be forced to deal with reduced availability of natural resources, such as land, water and fertilisers for agriculture, and has to minimise the negative effects of agriculture on the environment.

Because of its high market potential and economic and political stability, India is a very attractive market for retailers that has witnessed a ten per cent annual growth in the past five years. All leading global retailers are in India but organised retail is still in its infancy. Next to small retailers, organised retail has less than two per cent share of the market.

How should we deal with the growing consumption? India is both a large producer and a large consumer of food. The country is globally the leading producer of dairy, tea and pulses, and second in food grains and sugar cane. India would need to organise the supply chain in order to cope with high food demand in the future.

The largest part of the Indian food supply lacks organisation and shows losses in quantity, quality and value. There are too many players operating unprofessionally and inefficiently, and there is a shortage of cold storage facilities.

140 million tonnes of fruits and vegetables are produced annually while storage capacity is only enough for 13 million tonnes.

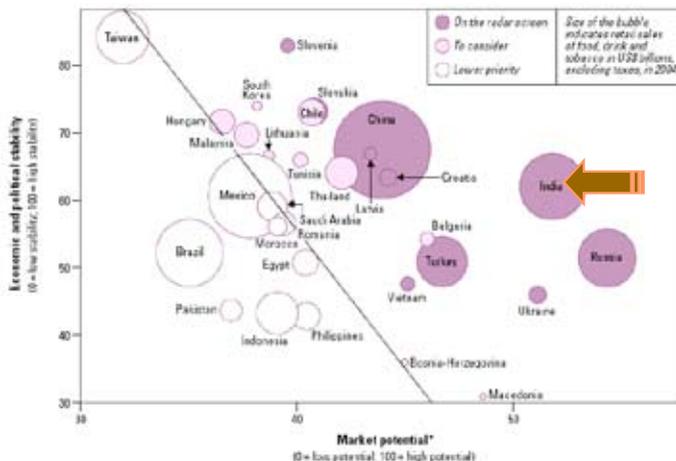
Effective business model for retail

As responsible retailer, Reliance Retail looks for new approaches for food security, for example, structural links between a farm and consumer. Reliance Retail set up a well-organised supply chain and a structured interface with small producers. All three key constituents of the food economy, a small producer, a small consumer and a small retailer, benefit. Farmers receive higher prices for their products, consumers get better quality food at competitive prices and small retailers access an organised supply chain.

Reliance Retail was a pioneer in 2006. Well-organised food chains were very scarce. Often this is still the case. Now, agriculture is diversifying and supply chains are disjointed. In order to balance the investments once made to building the chain, Reliance Retail tries to make the chain increasingly cost-effective. That would bring additional benefits for farmers, consumers and retailers.

In the global food system an integrated view is lacking, while the Reliance Retail example shows the importance of bringing the actors of the food chain together. Too many solutions are only partial. Stakeholder dialogue is urgently needed to bring different views together and to create broader strategies.

Most attractive retail market !



Source:
AT Kearney
Global Retail
Development
Index (GRDI)

India's retail market has grown by 10% on average for past 5 years
...steadily rising to top position in GRDI