

## Bharat Hotels to build wholesale food marts

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Bharat Hotels Ltd plans to invest around Rs 3000 crore building up to 30 modern wholesale markets for fresh produce nationwide in the next five years that would have expertise as well as possible equity participation from Paris-based Rungis International and Australia's Sydney Markets Ltd.

Bharat Hotels' agri-business unit **Premium Farm Fresh Produce Ltd** has already won the government-sponsored state-of-the-art wholesale or "modern terminal market" in Nashik in Maharashtra and got "in principal" approval from the government of Tamil Nadu for Chennai market, according to company officials.

Also, Premium Farm Fresh has been shortlisted along with a unit of Reliance Industries Ltd, DCM Shriram Consolidated Ltd and National Commodity & Derivatives Exchange for the Chandigarh modern terminal. Premium Farm Fresh says Rungis, the world's largest operator of fresh food market, will be an equity partner in its various markets.

"Lot of equity partners are interested... Rungis is an equity partner," said J.S. Yadav, chief operating officer of Premium Farm Fresh. "Sydney is very keen on an equity partner(ship) as they want to expand in India."

Brad Latham, chief executive of Sydney Markets, said the agency currently provides expertise to the Indian company and is "excited about working with Premium Farm Fresh." He added that the Australian market operator taking equity in some of the wholesale markets in India is a "possibility" in the future.

Michael Escoffier, general secretary of Rungis, said the agency is investing part of the consultancy fees it is charging Premium Farm Fresh back into some of the projects as equity. Premium Farm Fresh says it will fund its plans through the parent company's internal accruals, debts and through equity participations by Indian and foreign agencies.

Premium Farm Fresh has also brought in state-run National Agriculture Cooperative Marketing Federation of India Ltd as an equity partner.

Last year, the Ministry of Agriculture rolled out a plan to allow private companies develop and operate fresh wholesale markets in association with government agencies. So far the government has identified eight cities for the projects. Each projects will span at around 100 acres and will cost at least Rs100 crore each.

“The present marketing system, characterized by a long, fragmented supply chain, high wastages, low share of producers in price, is inadequately equipped to meet the growing needs of consumers for quality and safe hygienic food,” the government said in a report.

Although India produces almost 10% of the world’s fruit and vegetables, they account for 1% of its global trade.

Experts say up to 40% of the fresh produce in the country is wasted due to lack of proper handling and storage facilities and note that modern markets will not only help local consumption but also boost exports. As a result, the ministry of agriculture is extending financial support to the markets under the National Horticulture Mission.

The wholesale markets will have grading, washing, packaging, storage, cold chains, testing and certifying laboratories, electronic trading displays, banks, insurance and even post offices and police stations among other facilities. The markets will trade fruit, vegetables, flowers, aromatics, herbs, meat and poultry.

“The Indian consumer today stands at the threshold of a competitive world where the organized food retailer awaits to utilize numerous opportunities to serve this diverse demand,” the government report said.

Around 25 states have already expressed interest in setting up wholesale markets in a public-private model and many of them have already amended their agricultural marketing acts enabling private players to operate such markets, according to Kalyan Chakravarthy, country head for Food & Agribusiness Strategic Advisory and Research at Yes Bank Ltd, which is advising the government on the projects. He said government agency National Institute of Agricultural Marketing expects each project to give a rate of return between 15% and 17%.

“The rate can go up as private companies will bring more efficiency and economies of scale,” Chakravarthy said.

Yadav of Premium Farm Fresh says almost 30% of the country’s produce is traded through the organized as well as unorganized wholesale channels and he says his company expects to capture 5% of that market in the next five years. Yadav said Premium Farm Fresh also plans to open wholesale or cash-and-carry stores for fresh produce as part of the terminal markets.