

Sowing seeds in private farm wholesale biz Delhi-based firm eyes an unexplored market in agriculture-related services

JS YADAV, COO, PREMIUM FARM FRESH



AT THE start of the decade, when corporates were exploring the option of doing contract farming or entering agriculture retailing, the Delhi-based **Premium Farm Fresh**, part of the Lalit Suri group, decided to enter the agriwholesale business. Today, Premium has the country's first private wholesale market for fresh horticulture produce and is in the process of setting up another four-five such markets. JS Yadav, COO, Premium Farm Fresh, and former director, National Institute of Agriculture Marketing, spoke to Jayashree Bhosale about the journey into the new segment of agri-business in which Premium remains the sole player.

When the National Horticulture Mission (NHM) came up with the idea of setting up modern private wholesale markets for horticulture produce, Premium Farm Fresh showed interest. The central government allowed only those states to start such private wholesale markets which were ready to reform their marketing law. Maharashtra and Karnataka responded immediately and changed the legislation.

The NHM classified these markets into two types: those with a budget less than Rs 100 crore which are called private markets while those that need more than Rs 100 crore are called terminal markets. "The rules and regulations to set up the private market were more feasible, so we decided to first set up a private market," he said. The first licence in the country for a private wholesale market for fruits and vegetables was given to Premium in April 2007. The market became operational only in 2010 as the rules were not clear. For example, the government was requested to classify the private markets as a service sector to facilitate land purchase to set up the market since only farmers can buy agricultural land.

The NHM gives a 50% subsidy to private markets while the rest of the investment has been raised through bank loans. The private and the terminal wholesale markets have to be set up on a hub and spoke model which means that for every main market, the promoter has to set up the stipulated number of sub-yards, called hubs, to collect the produce from the farmers.

Mr Yadav said the private market at Nashik does not have these centres because the legal status of the sub-yards is not yet clear. Since it was an entirely new business, Premium decided to invest in a phased manner. So instead of setting up all the infrastructure required for the market in one go, Mr Yadav started with minimum facilities. Then came the question of inviting traders. "Our study showed that it takes five years to shift trade to a new market. Also, at any market in the country, only 10% of the traders handle more than 50% of the trade. We went only to those 10% big players," said Mr Yadav.

Presently, about 100 traders are participating in the trading at Premium's private market in Nashik. The trade takes place only in onion, grapes, tomatoes and pomegranates, commodities for which Nashik is the main supplier to the entire country. Eight months from the start of operations, the market is still a loss-making proposition. But the trade volumes have enthused Mr Yadav. "We are thrilled with the results of the pilot test," he said. But Premium is looking forward to the development of the market which will include setting up of cold storage, grading, packaging and ripening chambers. The market will also have shops selling inputs to farmers, restaurants and other facilities. "We want to have complete integration of growers, processors, cash and carry and exporters," said Mr Yadav.

Revenues will come from the rental charges for all these facilities. Premium has signed up with several international wholesale markets for knowledgesharing like the Rungis market in Paris, fruit and vegetable market in Seoul, modern fruit terminal in Malaysia, fish market in Sydney, markets in Iceland, Belgian flower auction centre and the Zhen Zhou market in China.