

## Sections

[Home](#) - [Management](#) - [Article](#)
[Printer Friendly Version](#)

- [Market](#)
- [Tracker](#)
- [Spa & Wellness](#)
- [World](#)
- [Interiors & Designs](#)
- [Management](#)
- [Edge](#)
- [Life](#)
- [Kerala Hospitality](#)
- [Weekend](#)

## Services

- [Subscribe/Renew](#)
- [Archives](#)
- [Search](#)
- [Contact Us](#)

## Events

- [HospitalityWorld](#)
- [TravelWorld](#)

## Network Sites

- [Express Computer](#)
- [Exp. Channel Business](#)
- [Express TravelWorld](#)
- [Express Pharma](#)
- [Express Healthcare](#)

## Group Sites

- [ExpressIndia](#)
- [Indian Express](#)
- [Financial Express](#)

## 'India has the potential to become food basket of the world'

**Vikas Mittal**, MD, McCain Foods India explains how his company controls the whole supply chain from farm to fork, to run a successful frozen food business in India

### Importance of Supply Chain Management

India has the potential to be the food basket of the world with almost 52 per cent of the total cultivable land available as against an average of 11 per cent in the world. We have 15 agro climatic regions and 46 soil types. Add to it abundant labour, which is economically available, India stands at an advantage. One of the key impediments to India becoming a global food supplier is the lack of right marketing strategies and an inefficient supply chain apart from of course outdated agricultural practices and small landholdings, which are not conducive to mechanisation helping in getting scale advantages.



Currently, we have a food supply chain which is highly complex, with numerous stakeholders from farmers, wholesalers, agents, to food manufacturers, and retailers who all work in complete silos.

### Key challenges

- **Basic infrastructure:** The key challenges faced by the Indian F&B industry, which also necessitates the importance of an efficient supply chain management, firstly include the limited or non-availability of core infrastructure like high-tech controlled production facilities, grading, packaging, warehousing, integrated processing units, poor transportation and erratic power supply are the major concerns for efficient supply of food and beverage segment in the country. In fact, trade estimates that about 30 per cent of food in India is lost on account of poor storage and logistics infrastructure
- **High cost of logistics:** Another major challenge is the high cost of logistics and transportation in India as compared to developed countries. Because of limited infrastructure and inadequate service, the cost of logistics in India is steep. In fact, the annual logistics cost in India is valued at Rs 6,750 billion (US\$ 135 billion) and is growing at 8-10 per cent annually. The logistics cost by value accounts today stands at 13 per cent of the GDP of India – which is much higher as compared to countries like the US (9 per cent), Europe (10 per cent) and Japan (11 per cent). As a result, manufacturers have to bear the cost which reduces their margins or the cost is sometimes passed on to consumers.
- **Unorganised nature:** The transportation, logistics, warehousing and packaging sector in India is dominated by

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 warehousing and packaging sector in India is dominated by unorganised segment (small truck owning companies linked to intermediate brokers or transport companies, small warehouse operators, custom brokers, freight forwarders, etc). As a result of which the service is not integrated, this further results in losses. In addition to the above, lack of good cold chain facilities and freezer space is also posing a considerable challenge for the F&B segment, especially with respect to frozen foods. Currently, there are also very few specialised distribution companies, providing refrigerated transport and warehousing for perishable produce and processed food products.

Taking note of the high demand and gap in the requirement of cold storage, processing, preservation and cold logistic facilities in India, the government has decided to upscale the cold chain by providing it an infrastructure status. By doing so, it is expected that there will be easy access and availability of quality raw material that are required for the F&B sector. Hopefully, this will also help in curbing the wastage of fruits and vegetables that is currently estimated as high as 30 per cent. We believe the expansion of cold chain infrastructure will provide a fillip to the frozen food segment.



**Vikas Mittal**

The second challenge for us was inadequate infrastructure for storage of raw material. Potato being an annual crop has to be stored in proper conditions so that the produce can be used for the whole year till we get the next crop. Moreover, the tuber needs to be carefully handled and stored in temperature controlled rooms to prevent it from developing sugars and maintain it for processing. We had to thus work closely to modify existing cold stores to suit the stringent requirements.

### Success story

As the Indian subsidiary of McCain Foods Canada, the world's largest producer of French fries and frozen potato specialty products, we adhere to the highest benchmarks for producing world class quality of frozen potato based products in India. However, to be successful in the frozen food business, one needs to control the whole supply chain from farm to fork. Hence following strategic initiatives at our end created the most reliable network for us.



When we entered India in 1998, one of the key challenges that we faced was with respect to processable varieties of potatoes. For a perfect product, we needed the right kind of potatoes that are large and oblong shaped with high solids. Because of the non-availability of processable quality of potatoes, McCain had to first establish a sustainable potato supply chain in the country. We began working with potato farmers in India on an extensive agronomy programme to identify the area with best potential to grow French fry quality potatoes.

Over the years, McCain's agronomy team has been working with Gujarat farmers to upgrade the yield and quality of a number of varieties of potatoes for processing high quality French fries and other potato specialty products.

In the area of potato storage, McCain pioneered the introduction



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of globally popular high temperature storages in India, an absolute necessity for the processing industry. Under the method, potatoes are stored at relatively higher temperatures (8-12 degree celsius) as compared to the traditional method of cold storage (3-4 degree Celsius). This preserves potatoes longer, decreases the tendency of sugar development in stored potatoes, and in addition yields savings in energy from lower refrigeration loads.

In order to ensure the safety and integrity of our products right from the time of its manufacture until it's delivered to the consumer, McCain incorporated the use of GPRS enabled refrigerated trucks or reefer trucks. The GPRS technology helps us to track our trucks even in transit and adequate temperature maintenance throughout the journey all across India. Thus, we are constantly monitoring our cold chain to ensure efficient and timely delivery of our products without compromising on the product quality. With the sophisticated inbuilt technology— McCain's Reefer trucks maintain a temperature of minus 18 degree celsius that is ideal for the quality of its frozen products.

The use of technology is often an enabler for improving a process.

This is particularly important when it comes to bringing about efficiency in the supply chain management processes. Today, a large number of companies are able to streamline the demand-supply cycle of their products through the extensive use of technology. To give an example: the use of Radio Frequency Identification or RFID's to track inventory items is transforming how company's manage high value items moving through the supply chain.

By creating efficiencies across its supply chain, McCain is today offering a range of high quality frozen products like French fries, Smiles, Aloo Tikki, etc., both to the institutional and the retail segment across the country.

As we operate in the frozen food space, we have been working closely with third party cold chain operators to implement the latest technology in infrastructure and cold chain refrigerated transport. Going forward, we would look to incorporating mechanised pallet handling technology at our third party storages — this automation will help in achieving higher efficiency levels in loading and unloading of reefer containers in a time bound manner and thereby creating high supply chain and handling efficiencies and expanding further on our cold chain platform keeping to similar global level.

*(As told to Vivek Sethi)*

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