

# Supply Chain (Success) Story

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*An Integrated Fresh Produce Company*

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# PROBLEMS IN CURRENT SUPPLY CHAIN



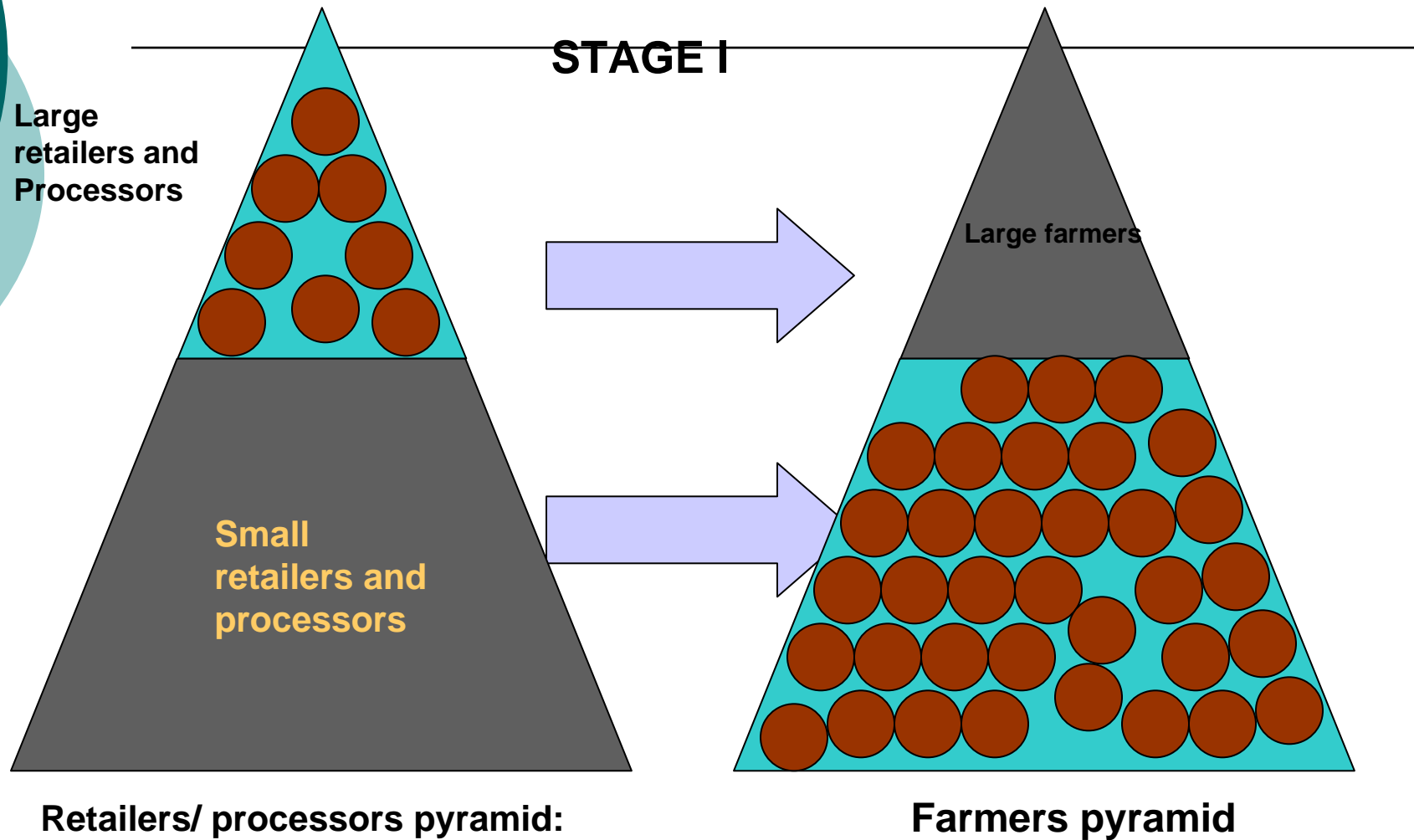
- Deficient and inefficient production management
- Inadequate storage facilities
- Improper post harvest management resulting in poor quality

- Fresh produce transported to mandis in open baskets or gunny bags stacked one on top of the other in trucks/bullock carts
- Cold chain absent or broken, produce deteriorates rapidly
- Intermediaries charge high margins but add little value
- Food safety is major concern: Hygiene and pesticide MRL not monitored - IS OUR FOOD SAFE?
- Bad roads delay delivery and lower product quality

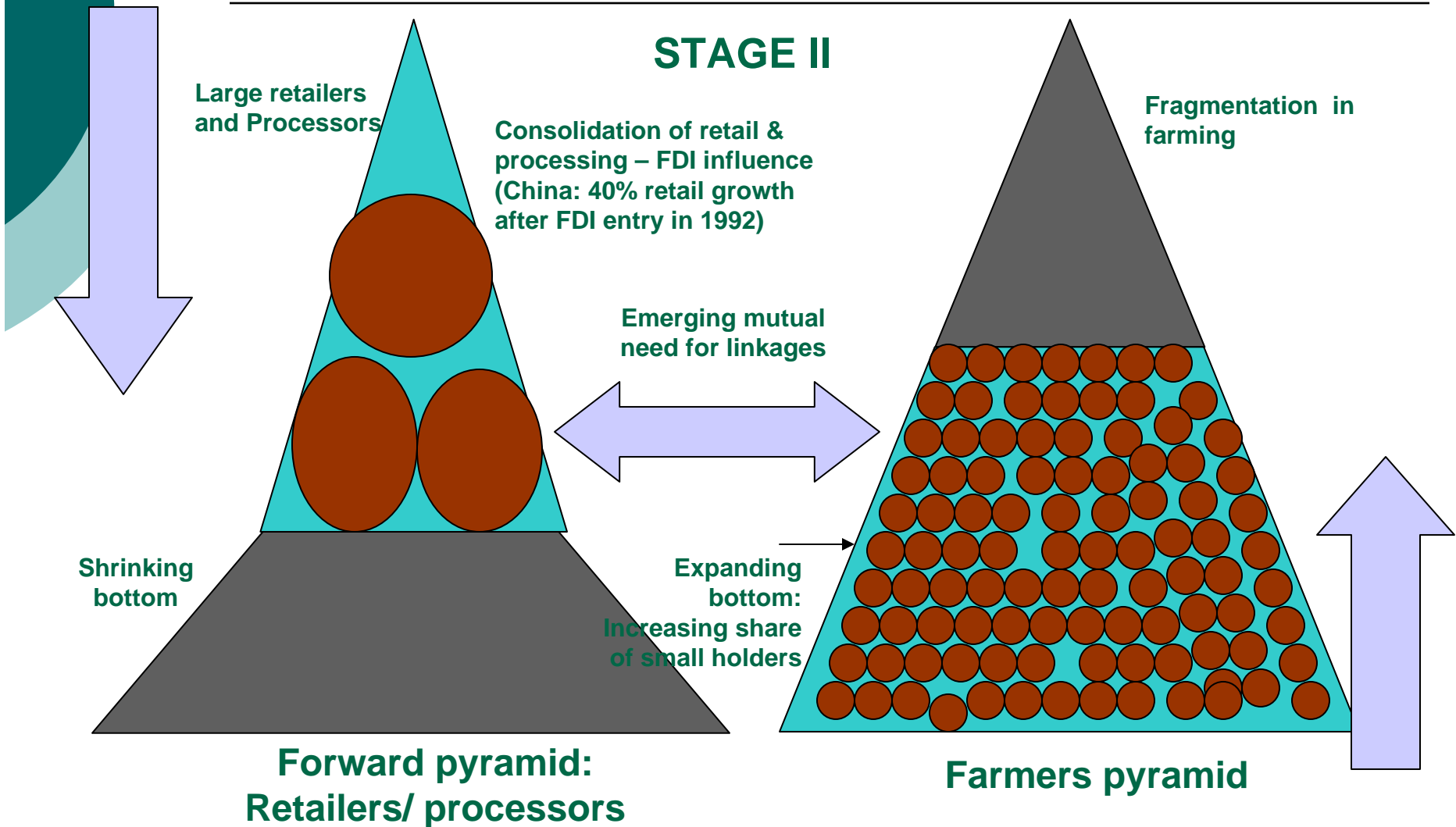
- Long delays from producer to retailer
- Fragmented retail done through stalls and carts
- Results in short shelf life and poor customer value



# The dynamics of linkages: Plate to Plough Cross-sectional and inter-temporal...



# The dynamics of linkages: Cross-sectional and inter-temporal (Continued)



## ROLE OF AGGREGATORS

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- Consolidation/Economies of Scale
- Specialization
- Grading & Sorting
- Packing and branding as per Retailer choice
- Quality Assurance
- Consistent Supply



*We are the extended arm of retailers—sourcing fresh and primary processed products*



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# ROLE OF AGGREGATORS

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- Consistent Superior Quality with established Quality parameters
- Reliable Supply
- Transparent pricing mechanism – For Farmers & as well as Retailers
- Help product innovation with retailers

“The material from Severn Star is pre-graded, of good quality and is arranged in plastic crates which are directly sent to the retail outlets”.... (FAO, 2007)



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# And What Do We Get



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# ISSUES AT AGGREGATORS' LEVEL

- **Small farmers (need extensive production, input & procurement planning)**
- **Farmers generally have fixed mindsets about growing techniques**
- **Small off take by retailers (spreading off-take through various channels including traditional ones manages risks but increases costs)**
- **Demand for large number of SKUs with small Quantity (increases handling cost –specialization in future with increase in Quantity)**
- **Pricing Strategy –very crucial (at this point Mandis still control it; in the future retailers will)**



## SMALL FARMERS: BOON OR BANE?

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- **Wide-spread Growing Areas (large production team, varying input management etc)**
- **Aggregation Costs (increase record keeping, time, and transport cost)**
- **Low Cost of Production!! (mostly family labour, willing to listen to advice)**
- **Product variety and production risks distributed**
- *Advantages and Disadvantages are Product Specific*



# SUPPLY CHAIN ISSUES

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- **Dedicated 'transport system' not readily available for outsourcing**
- **Not IT enabled – (Difficult to track produce in transit)**
- **Bad roads delay product delivery on time-Quality suffers**
- **Obsolete Laws & Regulations – Agriculture Produce Marketing Act (1976)**
- **Too many SKU to handle, needs specialization**



# FRONT END ISSUES

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- **Weak supporting infrastructure at front end**
- **Fresh Produce Retail handling requires attention – (if not done well – everybody suffers)**
- **Shortage of skilled labour- (requires extensive training throughout the supply chain)**
- **Conservative shopping habits – (immature market does not differentiate on Quality) – Price is THE major differentiator)**



# MARKETING STATUS QUO

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- **APMC, ECA, Food Corp.**
- **Mandis**
- **Fragmentation – unstable prices (controlled prices)**
- **No cooling/chilling, sorting, grading**
- **Poor infrastructure**

***WORST WAY TO MARKET PERISHABLES***



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# ACTION POINTS

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- **Provide sound guidance on input use - Build relationship**
- **Emphasize hygiene and traceability standards**
- **Training, Training, Training and Training**

***BE WITH THEM & THEY WILL BE WITH YOU***



# ACTION POINTS

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- **Improve/Adopt Packaging Techniques - increases value for end customers**
- **Product Innovation:**
  - **Emphasize convenience!!**
  - **Listen to your customers!!**



# ABOUT SEVEN STAR

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- **Products – 30 SKU in Vegetables and 2 SKU in Fruits**
- **Area coverage – 500 acres**
- **No. of farmers – 200**
- **No. of States currently present – 3**

