

Partners in Progress

New Initiatives In Red Pepper



Feb 2016

Agenda

Red Pepper Dynamics & Challenges in sourcing

A Strategic solution & Suggested approach

Key drivers & Initiatives

Intricacy's in Strategic solution

Addressing the Intricacy's

Conclusion / Take home

Red Pepper Dynamics

Growing States	Mn MT		Estimated qty
	Year 2013-14	Year 2014-15	Year 2015-16
AP & Telangana	0.60	0.64	0.52
Karnataka	0.19	0.20	0.17
Madhya Pradesh	0.15	0.08	0.05*
Maharashtra	0.05	0.05	0.04
Others	0.31	0.29	0.30
Total	1.29	1.26	1.07

* Actual figures reported of MP as crop is already harvested

Challenges ahead

Mycotoxins, Macro & Micro Sanitary contaminants

- Drought stress
- Diseased fruit
- Unorganized pre processing

Pesticide Residue Compliance

- Flourishing unorganized Pesticide trade
- Farmers falling prey to self-centered pesticide sellers
- Panic spraying & over use of Crop Protection Chemicals (CPC's)

Extraneous Foreign Matters (EFM)

- Post harvest handling
 - Labor intensive activity
- Bags used for packing

Traceability

- Small land holding farmers
- Fragmented supply chain
- Multiple stakeholders





Grading



Bags used for packing

How do we progress

Backward Integration(BI) – *A strategic solution*



Dr. Verghese Kurien

**Father of Milk
Revolution in India**



BI Approach

- Is it to show case to customer
- Is it a long drawn strategy

Passion

- Is it going to be superficially managed
- Is it going to be an 'in depth' involvement

Dedication

- Is it going to be profit for the company alone
- Is it going to be "partnership for prosperity"

Commitment



LINEAGE / HISTORY



- Founded in 1925.
- Pioneers in Agriculture business
 - With plantation of over 17,000 acres of land.

The group over the years has diversified into Biotech, Leather, Plantations, Natural Products & Agricultural Products



- More than 125 years in the Spices Industry
- McCormick & Company (NYSE: MKC) is a Fortune 1000 company
- Over \$ 4 Bn annual turnover with presence in more than 100 countries

23 years of strong & steadily progressing JV

Initiated Backward Integration of Red Pepper

At Arakeri Village , Bagalkot, Karnataka



BI Drive: Key Drivers

Selection Process

- Proven track record of safe supplies
 - Safe location
 - Safe Practices

Recommendations

- Seed selection & supply chain
- Extensive R& D work done on CPC's with reputed manufacturers
- Best practices for high yield, basis interpretation of 'Solid data bank'

Field Practices

- Soil & water testing
- Periodic monitoring & recording of all field activities
- Post harvest controls

Enhanced Initiatives in field practices

Monitoring

- Field force the back bone of BI operations
- Need for better & relevant data capturing
- Focus on authentic & timely information

Controls

- Risk analysis at various stages of CAP (Critical Agricultural Practices)
- Post harvest handling – Drying, grading, bagging, tagging, logistics & storage
- Documentation, Sampling protocol, test result validations, etc.

Targets

- Myco toxin & PR Compliant produce as per US & EU regulations
- Owning the whole chain
- Implement Good Agricultural Practices (GAP) & Sustainability initiatives



Drying



Packing



Pre Processing



Logistics

Intricacy's in BI

Cost of BI

- Monitoring expense & post harvest operation cost
- Packing , Logistics & exclusive storage
- BI retention bonus/premium

High capitalized farmers

- Sometimes difficult to convince & manage
- Tends to influence group during price fixation
- Highly conflicting when it comes to rejections

Real time decisions

- Real time risk categorization of farms & farmers based on farming practices
- Generation of reports for decision making

Farming challenges

- Increasing cost of labor
- Lower yields because of controlled inputs
- Changing weather patterns

BI : Developing small & avg. Farmers

Dis Advantages

Large number of farmers to be monitored

Difficult reaching out to all farmers periodically for implementing GAP

Farms located in the interior villages

Low income group farmers

Advantages

With an efficient field team, small & avg. farmers can be more effectively controlled

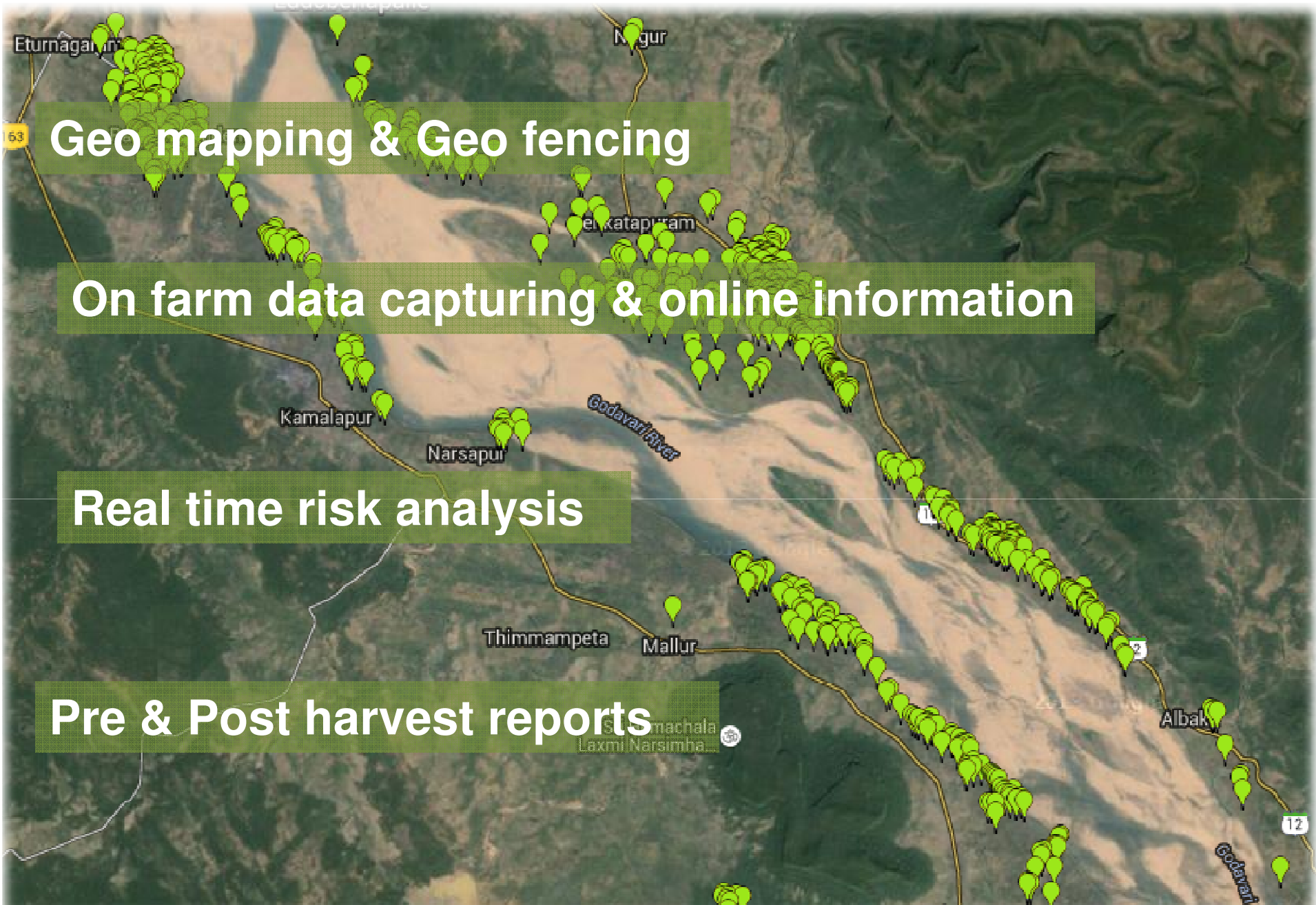
Farmers more adapted to safe practices

No access to CPC's

Cannot afford CPC's

RP BI Initiatives





Geo mapping & Geo fencing

On farm data capturing & online information

Real time risk analysis

Pre & Post harvest reports

Using Technology for intense Monitoring



Using Technology for Removal of Manual Drudgery

Soil & Water Management

Integrated Nutrient Management System

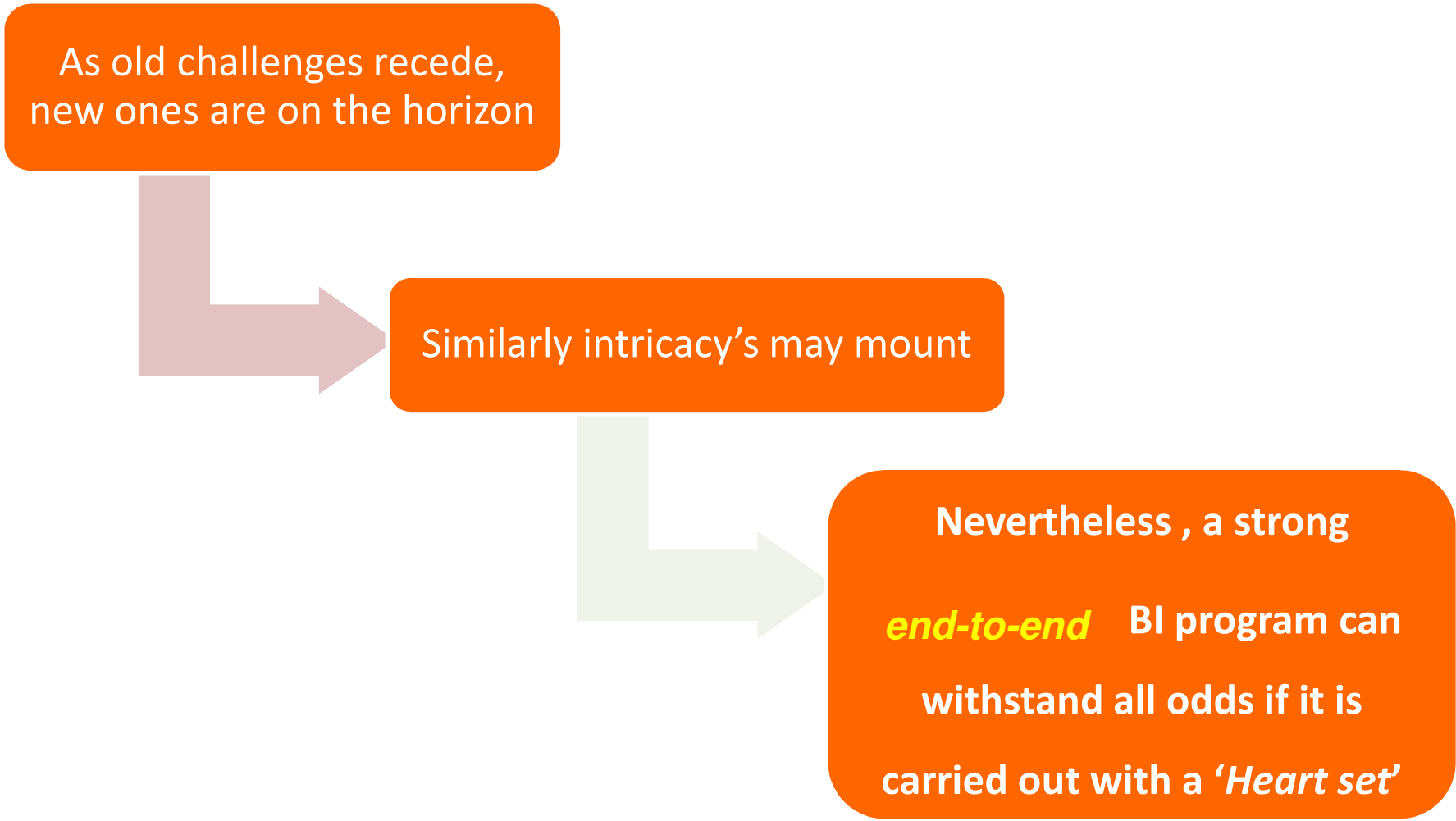
Increase the per acre income of farmer

Biodiversity Conservation

Sustainability – Farm Level



Conclusions/Take home





Thank You

