What are Rural Supply Chains?

- Rural development has traditionally been associated with agriculture.
- This relationship is in transition
  - Contribution of agriculture decreased from 55% of GDP in 1947 to 18% now. But working population remains same at 66%
    - There is need to move working population from agriculture
- SME clusters, Food Processing, Retail and Logistics services, make up the rural supply chains.
Some Supply Chain Examples

The farm-to-fork model
Big retail is changing millennia-old market relationships

Mandi route
- Farmer
- Ashopkeeper
- Agriculture market yard
- Wholesaler
- General wholesaler
- Retailer
- Consumer

Retailers' ideal
- Farmer
- Collection centre
- Processing & distribution centre
- Store
- Retailer
- Consumer

Source: ISB research
Postal Supply Chain

Possible points of access for competitors

Collection → Outward sorting → Transport → Inward sorting → Delivery

- Street letter boxes
- Postal items
- Sorting centres

Transport between sorting centres

Sorting to Delivery Area

Delivery to customer points

General Supply Chain Network

B2B Logistics Value Chains

Supplier → OEM → B2B Logistics Value Chains → Distributor → Customer

B2C Logistics Value Chains

Supplier → OEM → B2C Logistics Value Chains → Distributor → Customer
What are the problems facing the Food supply chain?

- Too many varieties of products each with their own peculiarities
- Supply driven not demand driven
- No post harvest research, No product development, No supply chain maps
- Resources: human, financial, natural resources abundant and no management culture.
- Too many intermediaries, Manual handling, No cold chain, IT usage minimal and misdirected, IT not used for connecting buyers and suppliers
- Government fear and regulations (such as APMC act, import and export control) effecting the distribution

Truly breakout food industry is possible

- Creating awareness among farmers
  - Demand driven agri production
  - Seed to feed culture
- Relaxing regulatory hurdles
  - On sale of agri produces
  - Reducing taxes on processed food items
- Creating of laboratories for nutritious food product development and testing, encouraging growth of strong food processing industry
- Developing talent for rural supply chain management
- Developing an IT enabled distribution backbone
Integrate the Small Retailer in to the organized retail stream

Borderless Manufacturing

Made in India

- Assembly
- Shell
- Label, elastic, studs, toggle and string
- Filler
- Lining
- Zipper

Made in India:
- Sikkim
- JAPAN

N. Viswanadham
Managing the Network- Li & Fung

Develop deep knowledge and sophisticated internal systems to identify and sort the quality of suppliers in many different parts of Asia, help them design and manufacture products for Global customers, and to meet stringent delivery requirements despite the poor quality of local infrastructure.

Future Supply Chain are People Centric

Supply the right product at the right price (product variety) at their location (Urban-Rural logistics)

<table>
<thead>
<tr>
<th>Urban</th>
<th>Rural</th>
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<td>Poor</td>
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<td>Middle</td>
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<td>Rich</td>
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People Supply Chain Networks
Growth Strategies for Two Indias

Global Supply Chain Excellence

Innovations needed in the Rural sectors

- Design, Manufacturing, distribution and retail of products and services in different formats using appropriate business models based on the location, income and age
  - Food Manufacturing and Retail
  - Affordable Housing (Two lakh house)
  - Rural Communications
  - Skill based Education
  - Public Health & Hygiene
  - Entertainment

- Use technology to make execution more efficient, high quality and low cost
What do we do moving forward?

- Value added agriculture: Seed to Feed supply chains
- Food processing industries
- Retail Chains management
- Building the Infrastructure
- Integrating the SMEs into the Global Value Chains
- Research and Training in rural supply chain networks.

Redefine Integrated Rural Development

- Integrated rural development should reflect a new understanding of the development policy framework – that involves complex, multidimensional interaction of different actors (Urban-Rural, Business- Politics –Social) including science, technology and management.
- Formulation of new and creative policies, strategies and business models that strategically integrate rural supply chains into global supply chains is needed.
- These finally contribute to India's onward march to prosperity and the much publicized inclusive growth.