

Role of Scv Small Commercial Vehicles in Agri Logistics and last mile delivery in India

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Abstract - Logistics management in the agricultural industry is the process that ensures the optimal and continuous flow of agro-goods from manufacturers /suppliers to producers and, eventually, to consumers.

Logistics is the process of planning and executing the efficient transportation and storage of goods from the point of origin to the point of consumption. The goal of logistics is to meet customer requirements in a timely, cost-effective manner Logistics management in the agricultural industry is the process that ensures the optimal and continuous flow of agro-goods from manufacturers/suppliers to producers and, eventually, to consumers. Some of the activities needed to facilitate this logistics process include agricultural production, acquisition, storage, handling, transportation, and distribution small commercial vehicles in last-mile delivery focus on the opportunities the last mile delivery could provide, and common challenges India faces for the same. The current and most popular topic among retailers is last-mile logistics. This is classified into three major sectors, viz. E-commerce, Retail, and bulk goods delivery. These three are considered the prime influencers of last-mile delivery.

Index Terms - Agri-logistics, SCV (Small Commercial Vehicle) Last Mile Delivery, Agriculture

INTRODUCTION

Logistics in agriculture is gaining more importance as it deals mainly with the smooth supply of food and other agricultural products from the producer to the final consumer. It is important to take account of the principles that apply in other subsystems of logistics, the right merchandise in the right place, intact, in the agreed amount on the agreed place at the lowest possible cost. Scope of agricultural supply chains and logistics are unlike the supply chain and logistics in

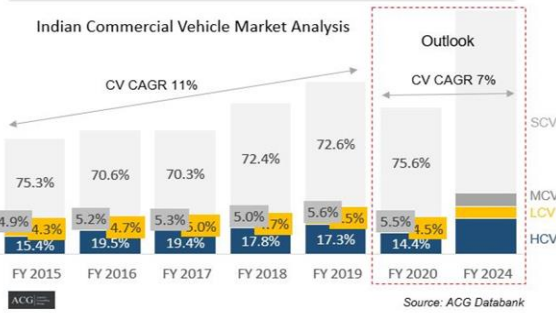
the production currently under-researched Definition of agricultural logistics The developed logistics industry and market system are the important guarantee of modern agriculture. The research on agricultural logistics is of great significance to speeding up the process of agriculture modernization and improving the competition ability of agriculture (Qi, Yang, Tang, 2008)

Since logistics involves the range of activities related to the production and distribution of goods for consumption, it is composed of two separate but integrated branches; materials management and physical distribution.



Agri-supply chains are economic systems which distribute benefits and apportion risks among participants. Thus, supply chains enforce internal mechanisms and develop chain wide incentives for assuring the timely performance of production and delivery.

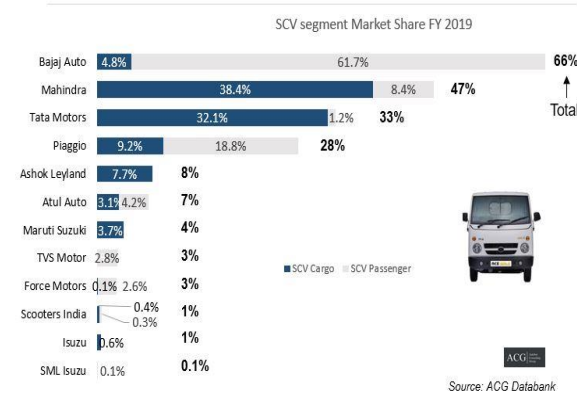
The issue of food wastage is central to India's efforts in combating hunger and improving food security. While focus has been on improving production, reducing food supply chain losses remains a relatively unaddressed problem till very recently.



Source :ACG Databank

Small or light commercial vehicles are considered to be the largest segment in the automotive industry that encompass commercial vehicles. To be precise, SCV contributes 73% of the total Commercial vehicle sales in FY2019. The compound annual growth rate is computed as a 10% increase from FY2015 to FY2019 and is further expected to raise the CAGR by 8% in the next five years. The market size of the small commercial vehicle segment accounts for USD 3.5 billion in FY2015 and USD around USD 5.2 Billion in FY2019.

Similarly, Small commercial vehicle’s cargo segment’s share has been increased from 47% to 52% while on the other hand, the passenger segment’s share got dropped from 53% to 48% during the period FY2015 and FY2019. Thus, at the end of the year, Cargo is reckoned as the biggest segment that accounted for around 50% of the total market sales in FY2019.



Considering all aspects of logistic vehicles, we’ve drawn the conclusion that three-wheeler goods vehicles will be the best choice for the retail business. The goods transport charge shall begin from 100 – 200 rupees and since the maintenance cost is low for three-wheelers, this has grabbed the attention of consumers in the retail business. It’s believed that these will rule the retail business for its highly feasible for small loads

and have got better mileage and a reasonable yet affordable price. One major advantage of utilizing three-wheelers for last-mile delivery is that most of the drivers are owners of their vehicles. This affirms the success of last-mile delivery. On average, it’s observed that a three-wheeler load vehicle would run an average of 50 kilometers and thus tentatively monthly revenue would account for 15,000 to 20,000 rupees. Currently, the 3W cargo is having just 30% of fleet utilization as per our study.

Indian consumers are mainly opting the mini truck for the overall super carry’s performance is considered as the prime value proposition. To analyze the value proposition in-depth like Price, Discount, Payload, Maintenance cost, number of trips, After Sales Support and others, ACG makes use of a variety of key parameters. The new launch Tata Intra, and DOST performance together inhibit the growth of other light commercial vehicles especially the Mahindra cargo segment (2-3.5T category). However, Tata Intra, fortunately, has managed to attract the Bolero Maxi Truck customers and Ashok Leyland Dost customers (in 2-3.5T category).

ROLE OF GOVERNMENT

In India, a large part of the agri supply chain ecosystem is either in the public sector, or strongly linked to it. The Indian government attempts to insulate the cultivator from price fluctuations by procuring their produce at Minimum Support Prices (MSPs), decided by the Commission for Agricultural Costs and Prices after analyzing the costs of growing a particular crop. The 7500+ Agricultural Procurement and Marketing Committee (APMC) mandis provide a marketplace for the transaction and the Food Corporation of India (FCI) plays the role of the buyer, storing the procured produce in the relevant warehousing corporation’s warehouse. Ultimately, this gets distributed through the Public Distribution System (PDS) shops and reaches the consumer. For non-MSP crops, the producer is dependent on the traditional private channels to market her produce. Agriculture is a ‘state subject’ and a large part of investment as well as regulatory progress is happening at the state level. Till very recently, regulatory barriers had constrained the development of storage and processing infrastructure but measures like inclusion of agri-warehousing under priority sector lending by

RBI, subsidy schemes, tax incentives and the Warehousing Act (which will promote negotiability of warehousing receipts) have helped private players take an active interest in the same. The Private Entrepreneur Guarantee Scheme is one such initiative to incentivize private investment for construction of warehouses by private entrepreneurs, with an FCI guarantee to hire them for 10 years, assuring a fair return on investment by the entrepreneur.

Gaps

- Inefficient price signals: The government has been buying almost one-third of all rice and wheat produced in India through the PDS system, but in other kinds of grains, fruits and vegetables (both being highly perishable), the role of the government is limited. This leads to MSPs being ineffective as both price signals and as insulators from the perspective of the larger agricultural population.
- Limited reach of mandis: Also, this procurement system has failed to cover the entire country evenly (back of the envelope calculation suggests that on an average, a farmer needs to travel 12 kms to reach the nearest mandi and more than 50 kms in NE India) while according to the recommendations by National Farmers Commission, availability of markets should be within a 5 km radius.
- Too many intermediaries, information asymmetry: The above-mentioned problems have led to formation of long marketing channels, with multiple intermediaries, adding to the woes of the producers of perishable agri goods. These intermediaries have led to a cost inflation of ~250% (over the cost of production) and have exacerbated the existing information asymmetries in agriculture, especially for non-MSP crops.
- Inadequate infrastructure for storage: The Planning Commission has recently estimated the gap between agri-warehousing supply and demand at 35 mn MT. Currently, public sector agencies like the FCI, Central Warehousing Corporations (CWC) and the various State Warehousing Corporations (SWC) have a storage capacity of 71 mn MT, while the private sector has close to 25 mn MT. To put the scarcity in perspective, food grain stocks held only by the

government was 80 mn MT last year (peak) according to the FCI annual report.

- Skewed distribution of capacity: Skewed distribution of this capacity is another issue, with North India having access to 60% of the total storage infrastructure. The Planning Commission has recently estimated the gap between agri-warehousing supply and demand at 35 mn MT.
- Lack of cold storage infrastructure: India's current cold storage capacity at 25 MT is barely sufficient for 10% of fruit and vegetables produced in the country.
- Lack of collateral management options: Collateral management refers to financing of agricultural goods stored at warehouses and is estimated to be a ~Rs 3,500 cr opportunity by industry sources.

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