



The Indian agriculture industry, with an estimated worth of Rs 12 lakh crore and each village having a potential of Rs 2 crore per annum, is dominated by unorganised players. However, of late, organised players are making their presence felt by opting for franchising for expansion.

AGRI FRANCHISE ON THE RISE

By Pallavi Majha

IMPROVED technology, better farming equipments, superior quality of fertilisers and new scientific methods to aid farming are facilitating agriculture in a big way in India. Having understood the needs and requirements of today's farmers, organised retail companies are capitalising on this emerging opportunity in agro-based product and services franchising. These modern retailers are offering quality products and services to customers (farmers) in the small towns and villages of India. They are also ensuring the availability of innovative equipments, spares and services by establishing a wide network of supply chain and support activities of international standards. Plus, they acknowledge the fact that till the time they have a dedicated and fool-proof backward integration chain in place (production, post-harvest and storage aspects of fruits and vegetables) their business model would not be successful.

According to S. Sundara Rajan, CEO, Janani Foods Pvt. Ltd, "Agriculture, as a business process, is not a single product category or services industry. During the span of one agriculture cycle (varying from three to nine months based on the crop not considering long-term crops like mangoes, citrus, etc), farmer needs different products/services. Also, one single agriculture circle ranges from three to nine months on an average."





Continuous research to make barren lands fertile and guidelines for funding the same is further giving a boost to agriculture in India. Besides, government initiatives like rainfed farming, banking loans and education for farmers are transforming the Indian agri-business scenario.

Prominent players

One of the prominent players in this category is Ratnagiri Impex Private Limited. It's a Bangalore-based company and the sole distributor of hi-tech portable outdoor power equipments of renowned companies and the sole importer of Oleo-Mac products in India. Janani Foods Pvt. Ltd is another such company which has been in operations from 2003. Its franchise operations began in 2008. The sheer volume and nature of business (proximity of farmers) demands small-size unit operations, which can be done only through franchise route.

Rajan highlights, "Few organisations like ITC, Mahendra, Coromandal and Tata Chemicals have gone ahead with multiple services/products under one roof (kiosks) model. But none of them have given all integrated and comprehensive services that a farmer requires. Here again, they have not fully franchised the kiosks, as many kiosks are managed by their own employees. Also, kiosks are not in proximity to the villages. Generally, they are at a distance of 15 to 25 kms from the villages, which make it difficult for the farmers to reach them every other day for their requirements."

Agro-based franchising

Franchising in agro-based businesses is majorly done in financial and insurance services. Banks, microfinance and insurance companies are operating through franchise system. Few organisations have gone ahead with multiple services/products under one roof (Kiosks). But none of them are giving all integrated and comprehensive services that a farmer requires. However, these organisations have not fully franchised the kiosks, as many of them are managed by company's own employees.

Elaborating on his company's franchise venture Gopalakrishna, CEO, Ratnagiri Impex Private Limited, informs, "Franchise format was launched in August 2009. At present, we have 33 franchisees fully operational. Our ultimate aim is to expand the Agrimart network to around 300 stores in locations all over India."



Gopalakrishna,
CEO, Ratnagiri Impex Private Limited



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Highlighting the franchise launch of Janani Foods Pvt. Ltd, Rajan says, "During our search for a suitable model, we associated ourselves as a private sector stakeholder in eSagu Project that provides agro-advisory services to small and marginal farmers by agri-scientists, from sowing to harvesting, using the latest in the agri-sciences and information communication technologies. This project belongs to International Institution for Information Technology (IIIT-H), Hyderabad, and MediaLab Asia Ltd, a wing of Department of Information Technology (DIT), Government of India."

Growth and expansion

Janani franchised its own operations in three kiosks in 2008 and successfully piloted the business, operations and revenue models. Based on the experience, the company signed up with seven more franchisees by the end of 2010, which will be operational by mid-2011. Informing about future expansion, Rajan says, "Two major IT giants have expressed their interest to provide the backward and front-end ICT infrastructure on profit sharing basis."

Elaborating on the growth of Agrimart, Gopalakrishna says, "Agrimart is a unique combination of green care and farm equipments that are single person, multi-purpose equipments with wide range of accessories and spare parts. Our products are also approved under various government subsidy schemes and are continuously upgraded. Our store is a one-stop source of supply." Agrimart at present has 33 outlets and all these are franchised and for the coming years, the company has plans to take its store count to 300.

Franchise facts

Janani

	Village Kiosk	Mandal Aggregation Centre
Investment(Rs)	2.5-5 lakh	6-5 lakh
ROI	30%	40%
Working Capital(Rs)	2-2.5 lakh	4-12 lakh
Payback Period	4 years	4 years
Marketing Cost(Rs)	50,000 at start up	1lakh at start up
Area Sq.ft	1,000-1,500	1,500-2,000

Agrimart

Investment;	Rs 25 lakh
ROI:	45%
Working Capital:	Rs 10 lakh
Payback Period:	1.75 years
Marketing Cost:	5%
Area:	1,200 to 1,550 sq.ft carpet area

Training and support

Franchisees are hand-held by franchisor in the initial stages of establishing kiosk operations. They have interaction on a daily basis on telephones or through intranet with franchisor for supply chain management activities. The business model is based on revenue-sharing basis and therefore, the franchisee needs to be involved full time in the business to get the maximum.

In this context, Gopalakrishna informs, "Before inauguration grooming is done, product and demo training is given for four days to franchisee, sales executive, admin, service technician and demonstrator."

What a franchisee needs

Janani franchisee needs to provide space, ICT infrastructure, manpower and working capital. The company consciously appoints only those franchisees who are locals and have sufficient agriculture experience, as well as credibility among the farming community. Also, farmer-level marketing would be jointly done by the franchisees and Janani. Entire supply chain management (contracts for inputs and market linkages, replenishment and logistics) would be the responsibility of Janani. Agrimart looks for franchisees who can invest and work to create awareness in Indian market for mechanisation. The Agrimart franchisee should remain involved for full time.



S. Sundara Rajan,
CEO, Janani Foods Pvt. Ltd



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Challenges

The major challenge for the franchisee at the village level is to face competition from the existing local money lender, trader and retailer. The competition fades away once the values of our products/services are established to the farmers. There is no challenge if he can invest and want to grow in retail business.

Reselling option

Legally, the franchisee has the option to sell out business, subject to approval of the company on the credentials of the potential buyer. However, the sale or replacement of a franchisee is not possible, as the business is in its initial stages only.



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