

Finding fortune in the field

*Dhirubhai:
turning
farmers into
entrepreneurs*



Champion Agro is banking on an innovative model of rural agri malls and diversifying into allied businesses

Sitting in his air-conditioned corporate headquarters in Rajkot, 45-year-old Dhirubhai Patel is a man of remarkably calm disposition. Behind him, sit a line of awards – the Asia Pacific Entrepreneurship Award for 2011, Life Time Achievement Award by Institute of Economic Studies, Udyog Ratan Award, Emerging India Award – however, Patel is largely unmindful of them. Despite the transition from the field to the office, he continues to be a man of the soil. ‘Down to earth’ is an adage that is literally and figuratively apt for Patel, whose business model is closely connected to the roots.

An erstwhile farmer himself, Patel was aware of a fortune waiting to be tapped in agronomy. His vision was to turn farmers into entrepreneurs by setting up a model that eliminated the bottlenecks faced by farmers. Dhirubhai started a partnership

firm, Magnetic Electric Company. It manufactured submersibles, mono-block pumps and heavy-duty electric motors. Patel invested ₹10 lakh and borrowed another ₹10 lakh from Gujarat State Financial Corporation. Subsequently it was converted into a private limited company, Magnetic Electrical, later it was converted into a public company and renamed as Magnetic Industries. In 2009 Champion Agro Fresh (a 100 per cent subsidiary of Magnetic Industries) was launched. Later it was renamed as Champion Agro. In late 2009, SIDBI Venture Capital Limited (SVCL), a wholly owned subsidiary of SIDBI (Small Industries Development Bank of India), invested ₹30 crore in the enterprise. SVCL has a 14.5 per cent stake in Champion Agro, while the rest lies with the Patels.

The real innovation came around in 2005 when he set up an agri mall

(called Champion Agro World) in Rajkot. The size of the mall ranges between 1,500 and 2,000 sq ft. The idea was to provide all that a farmer could possibly need – fertilisers, seeds, pesticides, irrigation solutions, soil testing facilities, crop inspection services, information related to weather forecasts or market prices, farm credit, life insurance and even greenhouse solutions, under one roof.

DCM Shriram Consolidated Ltd (DSCL), too, has a chain of rural business centres called ‘Hariyali Bazaar.’ Presently, there are 265 Hariyali outlets across eight states: Haryana, Punjab, Uttar Pradesh, Rajasthan, Uttarakhand, Madhya Pradesh, Maharashtra and Andhra Pradesh. In Gujarat, however, Champion Agro is the dominant player. The retail chain has since expanded to 35 centres across the Saurashtra region. Each Champion Agro World (CAW) caters to communities within a 25-30 km periphery. The company has approximately 50,000 registered farmers including 200 self-

help groups and 2,000 HNI customers who avail agri input and extension services, including opportunities in contract and lease farming. The average land holdings of these farmers vary between 2.5 and 8 acres, yielding wheat, cotton, gram, corn, garlic, castor and groundnut.

In 2009, Patel also launched a subsidiary, to cater to the fresh and processed food industry. He set up a complete warehousing and cold chain infrastructure to ensure availability of fresh products, along with direct sourcing linkages with the farmers through contract and lease farming. The gamut of fresh produce presently includes mango, pomegranate, banana and baby corn. Champion Agro has, through contract and lease farming, acquired over 26,000 acres of land. Linkages with Reliance and Bharti are in place and soon, produce branded 'Champion Fresh' will hit the markets. For now, you can look forward to picking up Junagarh's famous Kesar mangoes at a store near your home.

In pursuit of a dream

Dhirubhai's dream is now netting a turnover of ₹425 crore. "By the end of this fiscal year, we should be able to touch ₹500 crore," says Dhirubhai. He adds: "Our strength lies in the fact that we are based at the *taluka* level. Of the 350 employees that we have, 250 are based in the rural areas. They work as our field executives and business development officers. They are able to connect with the farmers more easily. At all points in time, they are in touch with the farmers. Each year, we organise no less than 2,500 meetings with the



Jitendra: planning for a strategic set-up

farmer groups. Nearly 70-100 farmers, on an average, attend each meeting. The typical Indian farmer has undergone a huge transformation. Earlier they had to source their inputs from several points of sale. They also had inhibitions to approach a bank for loans. Today, the same farmers are maintaining balance sheets, will you believe that? At one point in time, farmers were moving away from agriculture. Now we see reverse migration happening. It is a recession-proof business."

Having tested the model on ground, Champion Agro is now planning to expand beyond Gujarat: "We plan to open 400 agro malls across India over the next three years. We will take the franchisee route. Each CAW will require

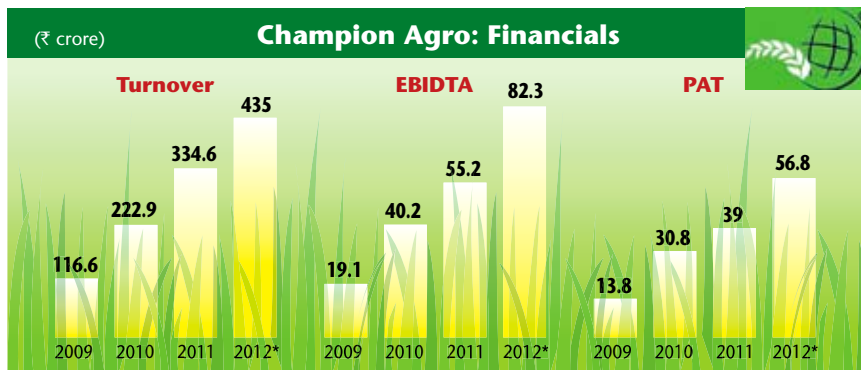
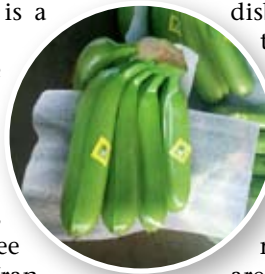
an investment of ₹25-30 lakh. It will include 20 district-level agro malls. We already have operational cold storage facilities at Surat and Rajkot... we are planning for a strategic set up of these facilities at Anand, Rajpipla, Himachal Pradesh and Delhi. That apart, we are looking at establishing about four pack houses in Anand, Rajpipla and Bharuch districts of Gujarat with the capacity of 200 metric tonnes," says 38-year-old Jitendra Patel, JMD, Champion Agro, who is Dhirubhai's younger brother. It is worth mentioning that the Gujarat government is offering a 25 per cent subsidy for greenhouse development in the state.

There are other plans on the anvil as well: the company is planning to start production of canned baby corn, banana puree and banana shakes. It is also contemplating development of a 150-acre model farm for bananas in Rajpipla, apart from setting up a processing plant for potato flakes and French fries.

Tapping the potential

"There is huge potential for agro-based enterprises in rural India. Currently, fertiliser sales form the nucleus of all agri-based retailing. With the policy change on subsidy disbursal of fertilisers and the gradual shift towards decontrolling of fertiliser prices, new opportunities will open up. Such opportunities can be leveraged through product and service bundling and new category creation that are currently serviced through informal channels," says Ankur Bisen, associate director, retail, Technopak Advisors.

Harish Bijoor, CEO, Harish Bijoor Consults Inc, states: "The potential of rural markets in India is huge. In terms of value, as much as 61 per cent of all potential businesses of India, for daily consumption items, lie in rural markets. In terms of volumes, this number burgeons to 79 per cent. Therefore, no one can afford to ignore rural India. If they do, it is at their own peril. The later you enter this terrain, the more expensive it will be."



*Estimated



Champion Agro's micro-irrigation system is gaining momentum

Bisen points out that the key for success in agro enterprises lies in defining the value proposition for farmers. "Farmers want to understand the value proposition in terms of crop productivity, yield, credit terms, cash savings and ease of procuring the product/service. The firms need to grasp a granular understanding of the farmers' income and expenditure cycle and link their products/services to help them earn and save more. Another challenge is to understand the differentiated needs of farmers. Cropping pattern, state/local laws on procurement and regional differences on farming practices are some reasons for this differentiation."

Champion Agro's business model more than takes the aforementioned variables into account. "It is important to lead by example. A farmer needs to be completely convinced to switch over from a crop that he has been growing for generations together. Keeping in line with that philosophy, we are building a 1,000-acre pomegranate park in Palitana in Bhavnagar district of Gujarat. About 300 farmers from nearby areas come every month to see the park and enquire about its returns. We have already received many requests to help them cultivate pomegranates on their land. The per hectare



returns for pomegranates far outweigh the returns from crops such as cotton and groundnut. A one-acre pomegranate farm easily yields about ₹7 lakh. It effectively translates into higher income levels for the farmers," shares Shamender Sharma, COO, Champion Agro.

It is noteworthy that while food grain production rose from 52 million tonnes in 1951-52 to 244.78 million tonnes in 2010-11, the share of agriculture in real GDP has fallen, given its low growth rate relative to industry and services. That growth in the agricultural sector has often fallen short of the Five Year Plan targets, is another cause for concern. In the period 1960-61 to 2010-11, food grain production grew at a CAGR of nearly 2 per cent. During the current Five Year Plan, agriculture growth is estimated at 3.28 per cent against a target of 4 per cent.

One step at a time

Meanwhile, Champion Agro recently signed an MoU with DripTech of USA to offer small and marginal farmers micro-irrigation systems (MIS). Jain Irrigation, too, is into MIS. In Champion Agro's malls, they also offer irrigation solutions by various other brands. It is up to the farmer to choose. DripTech irrigation system

has been installed in more than 100 acres of land. The Patels are optimistic about this MoU and not without reason. MIS is gaining momentum in Gujarat, thanks to the fact that a farmer can receive a subsidy of ₹60,000 per hectare or 50 per cent of the MIS cost – whichever is less for any area and any crop. Tribal farmers can get an additional 25 per cent subsidy from the Tribal Department of the Government of Gujarat (GOG). "It makes sense for the farmers even otherwise as these cost [are] just 30-35 per cent of the high tech drip system," adds Sharma.

With domestic expansion plans well in place, is Champion Agro looking at expanding internationally as well? Yes, perhaps in the distant future. Dhirubhai, along with his team, recently returned from trip to Tanzania to explore agribusiness opportunities. The country, like other African nations, is offering large land banks at a low-cost, long-term lease. According to 'Sprouting Opportunities in Food & Agriculture Sector,' a report by Technopak, more than 80 Indian companies have already invested nearly ₹10,800 crore in buying huge plantations in African countries to grow grains for the domestic market. "The opportunity beckons but we are yet to come to a decision," says Dhirubhai patiently. As always, he will intricately weigh this step and then take the plunge – and hopefully reap rich returns.

♦ KIRAN YADAV