(Agri)Cultural Shift

StarAgri helps farmers escape the clutches of the moneylenders and intermediaries

While start-ups have been the vogue in industries like IT and telecom, even big companies have had second thoughts while venturing into agriculture. Two years ago, four people who were then engaged in farming met on the sidelines of a meet organised by a bank. The meeting might have been by accident, but the company they formed, StarAgri Warehousing and Collateral Management was not.

Being in an industry that contributes close to one fifth of the country's GDP is an advantage. "Agriculture is our love," says Amith Aggarwal, director and one of the founders of the company. The four put in Rs 5 lakh out of their own savings as seed capital to kick-start the venture. In two years, the business has grown to revenues of Rs 2.86 crore, and a profit of Rs 86 lakhs, with clients like ITC, Britannia, and Adani.

The company has four revenue streams of which procurement and warehousing contribute around half. The former involves procuring commodities from farmers and then selling them to corporates. The second is what they started with, on 50 hectares of land. Today, the company owns 200 hectares. Warehousing capacity, both leased and owned, stands at 2 lakh tonnes, which is set to multiply rapidly. "We plan to grow this figure to 20 lakh metric tonnes over the next three years. This will be the infrastructure on which we will grow in the long term," says Aggarwal.

Their business of collateral management is also growing. Here, if a farmer wants a loan, he can pledge his produce to be stored in StarAgri's warehouses for which he gets a receipt, which is accepted by banks as collateral. The farmer gets 75% of the loan, and this has become quite popular, making up 25% of StarAgri's revenues. More importantly, they have practically put the moneylender out of business by providing credit to farmers at 11% interest. With a loan portfolio of Rs 500 crore and growing, this can lead to a societal change in the farming community.

StarAgri has also ventured into the distribution of general and commodity insurance. The 175-person strong company has tied up with Oriental Insurance for this product. These four revenue streams taken together makes StarAgri an integrated post-harvest company.

This year, the slowdown has hit them in the form of lower demand for soyabean crops. This is their main commodity, but was hit by lack of rainfall in the last kharif season. "We expected 150 lakh tonnes, but got less than half that," says Aggarwal. And the prices shot up by around Rs 1,000 per quintal, owing to lack of demand, which in turn led to lesser demand for warehousing space.

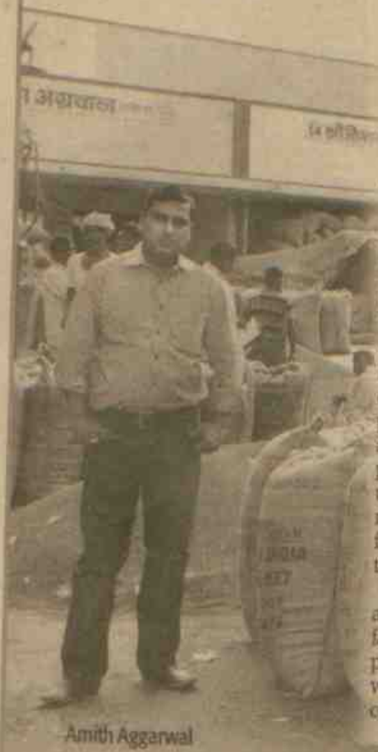
This new scenario means the Jaipur-based company will see a slower growth this year. The company expects to grow at around 20%, which is a tempered down situation after the heady growth they saw in the last two years.

This year the company will be setting up around 25 agricultural marketing yards where farmers and buyers can come together without any meddling intermediaries, making the middleman redundant. To enable farmers to get best prices, these centres will have online commodity trading as well. "So a company might decide to buy from a farmer in Bangalore," says Aggarwal. StarAgri has already tied up with NCDEX, India's largest electronic spot exchange, for the same. Through this tie up, the company is enabling farmers get a fair price for their produce till the time Aggarwal and his partners set up their own commodity spot exchanges in various states.

Also on the agenda this year is fund raising. The company needs to raise around Rs 20-25 crore to finance its warehouse expansion plans and widen the loan net. "We are in talks with companies who want to buy a stake," says Aggarwal. StarAgri now has a presence in Rajasthan, Gujarat, Haryana, Punjab and Madhya Pradesh and plan to open seven new offices, which means more additional manpower costs.

However, a bigger challenge now is to have the ability exploit the huge agricultural market, valued at around Rs 6 trillion but which is very diverse in terms of region and produce. For this, the company has to move beyond its current core commodities of foodgrain, oilseeds and coriander, something which Aggarwal is already working on. The new offices will recruit local people who will have expertise on local land produce.

As dusk approaches, farmers wrap up their produce and head home. For many of them this is the company which allowed them to get rid of the shackles of the ubiquitous moneylender, and live a life of peace and dignity, a remarkable achievement by a company that is just not even three years old. "This is what gives me a high," signs off Aggarwal.



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