

Why do the National Logistic Policy and other government initiatives need to focus on the cold supply chain?

The National Logistic Policy (NLP) and other policies need to prioritise cold chains to strengthen the overall food and pharma supply chains, in our country.

Written by [Guest](#)

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Representational image courtesy: Celcius

By Swarup Bose

The logistics sector is growing exponentially and has demonstrated exceptional resilience during the pandemic. With the government rolling out favorable policies, the logistics sector has only become more robust. The logistics industry is poised to increase to an astounding \$380 billion by 2025, at a healthy 10-12% year-on-year growth rate. Cold chain logistics is expected to grow from \$9.75 billion in 2023 to \$12.85 billion by 2028, at a CAGR of 5.67%. The significance of the cold supply chain further increased during and after the pandemic. Safe transportation of vaccines and medicines requires robust cold chain facilities. The need for cold chain facilities became more apparent during the pandemic due to the large-scale transportation of vaccines to different parts of the country.

The significance of cold chain facilities is not just limited to the pharma sector. Perishables like milk, fruits, and other agricultural commodities are heavily reliant on cold chain facilities. In fact, food wastage due to a lack of cold storage solutions has contributed to a high hunger index in our country. The current logistics infrastructure in our country demands more investment in cold chain facilities.

The National Logistic Policy (NLP) and other policies need to prioritise cold chains to strengthen the overall food and pharma supply chains, in our country. Let's understand how NLP and government policies can play a role in transforming and aligning our cold supply chain infrastructure to the international standards of sustainable and efficient supply chains.

Stimulating capital support and FDI

The government of India has permitted 100% FDI in warehousing, which is especially needed for developing the growth of state of art cold storage facilities. With the imminent need for specialized equipment and storage solutions to maintain product integrity, FDI also helps accelerate Tech integration, which is a pressing need of the sector. Funding from the government plus FDIs will bridge the gap and empower logistics companies to build cutting-edge infrastructure to upgrade and modernise the cold supply chain.

Huge upfront investments required for the cold chain infrastructure are often a barrier for new entrants. Tax benefits and fiscal incentives are thus essential to strengthen cold chain infrastructure in our country. India's Ministry of Food Processing Industries (MOFPI) offers a subsidy scheme that provides financial assistance for cold chain infrastructure and other value-added activities. These subsidies can be used for the purchase of cold storage equipment, transportation, and other related infrastructure. Tax holidays, subsidies, and incentives attract investment in the cold chain sector and improve food safety.

Public-private partnerships and subsidies for greener solutions

Public-private partnerships and subsidies can encourage green solutions in the cold supply chain. Green operations in the cold supply chain are the need of the hour as logistics and warehousing too contribute to greenhouse gas emissions and climate change. Green solutions, and effective tech innovation, can help in the cold chain sector for cost-savings and more efficiency in the long term. While private firms can facilitate better access to resources and technology, public firms can allow tax benefits and incentives and provide implementation support for enhancing the cold chain sector.

Public-private partnerships (PPPs) play a significant role in the development of agriculture cold supply chains. Public-private partnerships can reduce the burden of investment on the public sector, allowing for faster and more efficient development of the cold supply chain. PPPs can also help in crop diversification, benefiting farmers, and building a more accessible temperature-controlled supply chain for farmers. Equal involvement of private and public sectors can further result in improved food safety, reduced food wastage, and better market access for farmers. Farmers can command better prices as product integrity is not compromised till they reach the end consumer owing to robust cold chain facilities.

The logistics sector is indeed the backbone of a country's economy and the government is intensifying efforts to strengthen the sector with NLP and several other supporting initiatives. For instance, the National Centre for Cold Chain Development (NCCD), is an autonomous think-tank body focused on infrastructure development projects, with 135 cold chain projects, 40 mega food parks, and grants above Rs. 7,000 crore. Also, policies in the form of subsidies, tax benefits, and technical training support are enhancing competitiveness in the logistics sector. Modernising cold chain infrastructure should not be the only objective. The goal should be to make its benefits accessible to farmers at affordable rates in tier-3 towns and villages. This is where public-private partnerships come into the picture. Public-private partnerships can reduce the burden on the government and make cold supply chains more efficient while increasing access to smaller farmers.