Indian Economy · GS - III

Examine the role of supermarkets in supply chain management of fruits, vegetables and food items. How do they eliminate number of intermediaries?

EXAM YEAR	PAPER	SUBJECT
2018	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Agricultural supply chains; direct sourcing; cold storage and logistics; grading and packaging; reduced post-harvest losses; farmer-market linkages; limitations

Model Answer

Introduction

Supermarkets can modernise agricultural supply chains by linking producers directly with organised retailers and consumers, improving quality management and reducing avoidable transaction costs.

Role in Supply Chain Management

1. **Direct procurement:** Supermarkets may purchase directly from farmers, cooperatives and Farmer Producer Organisations (FPOs).
2. **Aggregation:** They collect produce in bulk, improving transportation efficiency and bargaining arrangements.
3. **Quality management:** Standardised grading, sorting, packaging and traceability improve consistency.
4. **Cold-chain infrastructure:** Refrigerated storage and transport can reduce spoilage of perishables.
5. **Demand forecasting:** Retail sales data help plan procurement and manage inventories.

6. **Consumer benefits:** Better quality control, variety and predictable availability can improve the retail experience.

How They Reduce Intermediaries

Traditional supply chains may involve village traders, commission agents, wholesalers and multiple retailers. Direct procurement and centralised distribution can remove some of these layers, reducing handling and transaction costs.

Limitations

Supermarkets do not automatically eliminate all intermediaries. Aggregators, logistics firms and collection centres remain necessary. Small farmers may face strict quality standards, delayed payments or unequal bargaining power. Organised retail may also be inaccessible in some rural areas.

Way Forward

Promote transparent contracts, FPO-based aggregation, timely payments, cold-chain investment and fair competition between organised and traditional markets.

Conclusion

Supermarkets can improve efficiency and reduce wastage, but inclusive procurement systems are necessary to ensure that farmers share the benefits.

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