**Syllabus subtopic:** Food Processing and Related Industries in India - Scope and Significance, Location, Upstream and Downstream Requirements, Supply Chain Management.

**Prelims and Mains focus:** about the draft national logistics policy: benefits and challenges in implementation

**News:** In her Union budget speech, the finance minister said the government will release the policy soon.

**Background**

- India’s logistics sector has **remained fragmented and unregulated**, despite its centrality to economic growth. According to a logistics policy draft released by the commerce ministry in February 2019, the government will create a **single point of reference** for all logistics and trade facilitation matters, reducing logistics costs, which are now estimated at 13-14% of GDP, to 10%.

- The draft policy has sought to optimize the modal mix (road-60%, rail-31%, water-9%) to global benchmarks (road - 25-30%, rail - 50-55%, water - 20-25%) and promote the development of multi-modal infrastructure.

- The policy also recommends setting up a **Logistics Wing** that will be “the nodal agency tasked to identify key projects for driving first mile and last mile connectivity and to optimize the modal mix to identify commodity and the corridor for the most cost-effective mode of transport.”

- Almost **25-30% of fruits and vegetables produced in India are wasted due to lack of cold chain infrastructure**. According to the draft policy, the Logistics Wing will “work with the ministries of food processing industries, consumer affairs, food & public distribution and the department of horticulture in respective states” to identify key policy interventions and infrastructure enhancement to promote penetration of cold chain facilities and adoption of reefer (refrigerator) trucks in strategic locations.
Benefits of the policy

- The upcoming national logistics policy is expected to streamline rules and address supply-side constraints, leading to lower logistics costs and greater competitiveness for Indian products worldwide.

- The national logistics policy will clarify the roles of the Union government, state governments and key regulators.

- It will create a single-window e-logistics market and focus on the generation of employment, skills and making medium and small enterprises competitive.

- Many countries, including South Korea and Singapore, came up with this kind of policy in the early 2000s. It covers the different types of logistics service providers. For example, some are just in freight forwarding, others in trucking, some act as full third-party logistics providers. Typically, a policy will categorise each of these services and give minimum threshold requirements for entering the market. For a truck fleet operator, this could be about minimum fleet size, specifications of trucks, axle load and carrying capacity etc.

- The policy will allow seamless multi-modal freight transfer and make freight movement for key commodities cost-efficient. The proposed policy also aims to standardise the key elements of a warehouse which will lead to new demand and capacity creation of Grade A warehouses.

Challenges in implementation

The main challenge is while some of the subjects covered under the policy come under the Centre, the rest are controlled by states. The development of multi-modal logistics parks, or rules to do with motor vehicle movement, come under states. So, unless there is alignment between the Centre and the states, this
policy will be hard to implement.