

DESAI

FRUITS & VEGETABLES



**Partnership Farming – Linking smallholders to
booming commodity markets**

FATA August 2010



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About Pal & Partners AG

Connecting Worlds – Creating Values

Overview

- Founded in 2004 by Ron Pal and Thomas Kindler
- 10 people in offices in Zurich and Mumbai
- **Investment Opportunities**
 - “Opportunity Pipeline” to research, assess, finance and execute business projects with a focus on the agro-sector in India.
- **Entrepreneurial Services**
 - „Outsourced Management Resources” for the execution and supervision of strategic business development projects
- „Trust Centre“ providing our services under one roof through highly talented professionals with local and international experience and presence.



Core competence of Pal & Partners is the management of agriculture projects in India

P&P's Agricultural "History"

- "Cold Chain Project" 2004 to 2005
- Acquisition of "Desai Cold Storages" in March 2006
- Established relationships with the Indian government, industry and existing investors
- Experienced local team and resources
- International network of agriculture experts

P&P agriculture track record in India

- Seven years of experience managing agriculture start-ups in India
 - 1 Desai Fruits & Vegetables**

One of the largest **partnership farming organization** and exporter of bananas in India
 - 2 Citrus Processing India**

First industrial plant for production of frozen concentrated orange juice
 - 3 Cocoa India**

Project for sustainable sourcing of cocoa in India



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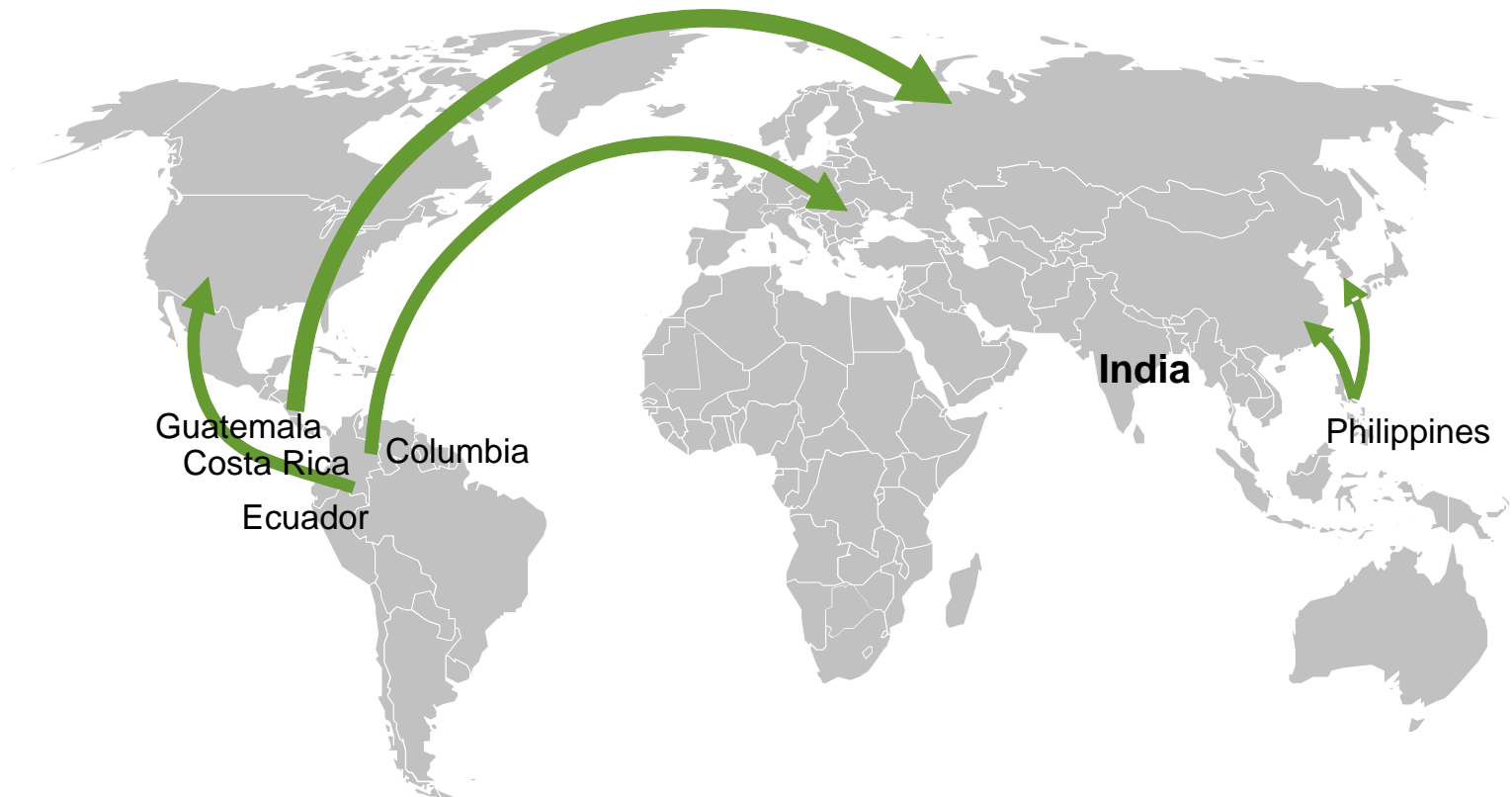
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Banana is the most traded fruit in the world – India in excellent geographic position for key markets

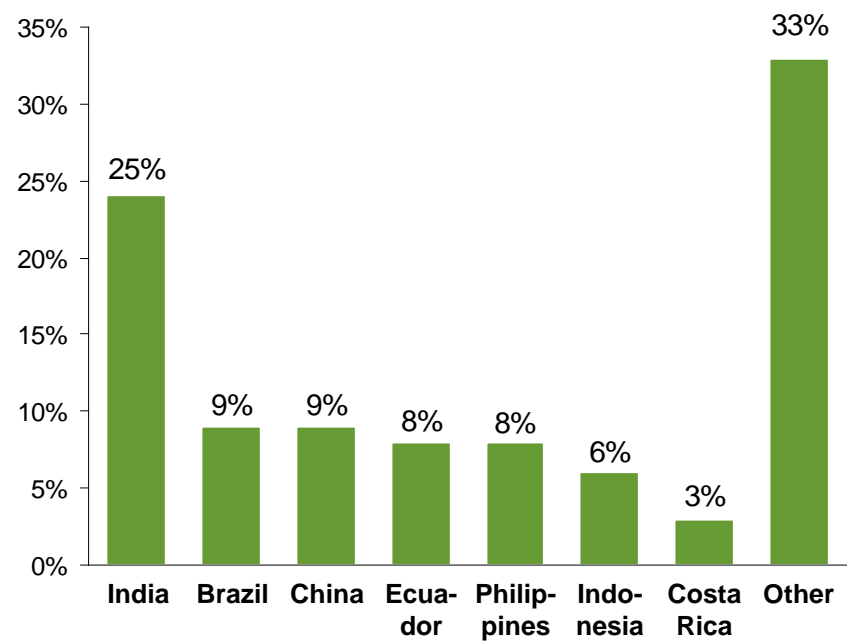
Worldwide traded banana



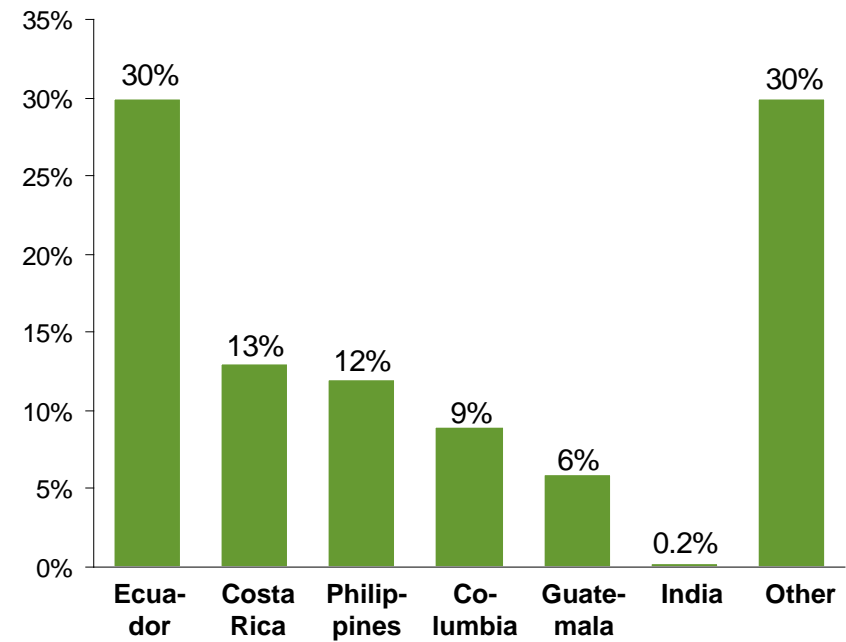


India is the largest producer of bananas worldwide but has a very low level of exports

Global banana production (2007: 86 mio tons)



Global banana exports (2007: 18 mio tons)





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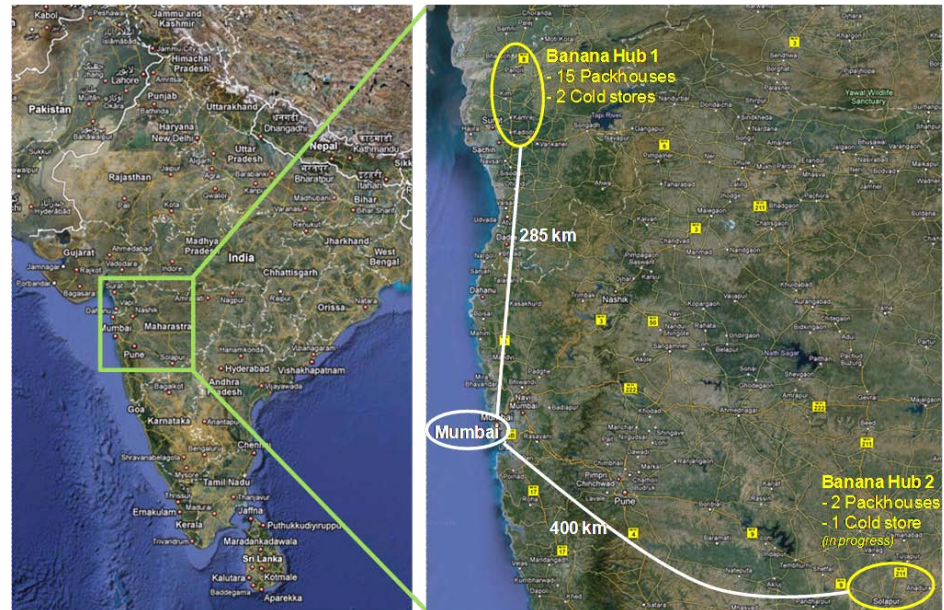


Since 2008, DFV is the largest grower and exporter of banana out of India and the benchmark in contract farming

Our business today

- a** Fast growing business, today's **leading banana grower and exporter** out of India
- b** Benchmark for **sustainable, social responsible partnership farming model**
- c** Excellence in **supply chain management** from field to customer

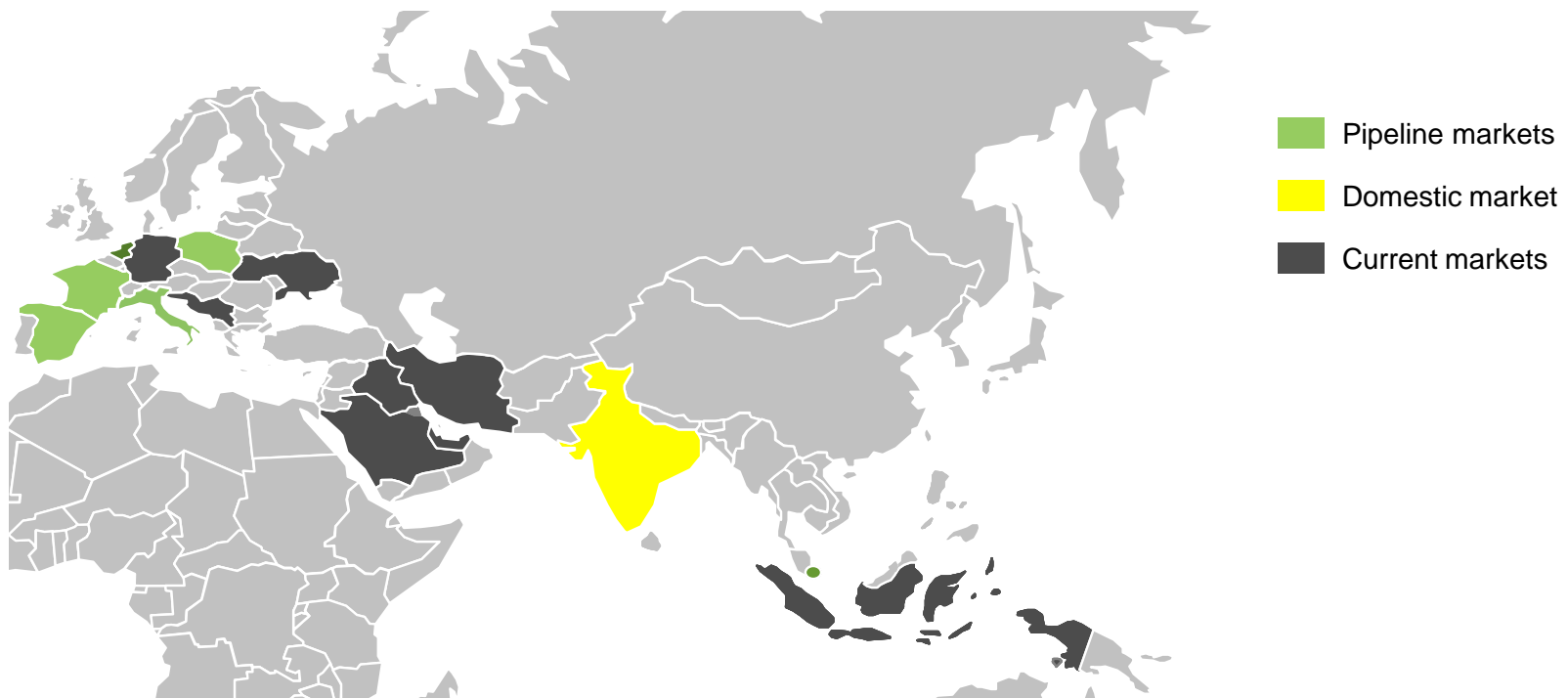
Our banana growing regions today





Our markets today – DFV in the prime position to supply Middle East and Europe as well as the domestic market in India

Current and prospective markets for DFV bananas





Impressions from the farms – international banana know-how and technology applied to small and medium landsize holders





Media feedback on DFV in the Economic Times of India – DFV shows the way for small farmers to global markets

Making Of The Banana King
8. March 2008

Contract farms are flavour of the season
21. May 2008

Going bananas worldwide
6. June 2010

Making Of The BANANA KING

Ajit Desai
FOUNDER, DFV

State-of-the-art pack house for fresh fruits & vegetables at Navsari, Gujarat which is known to be the best in India

Minimum guarantee price plus market linked incentive is provided to the farmers which includes the production cost, salary and the profit

Gold chain logistics to the grassroots level in various villages

The company has created a common base including supermarkets and leading importers/distributors in Europe, US, South East Asia and Middle East

DFV is certified to ISO22000, British Retail Consortium (BRC) standards, and Fairway certifications for farmers under a PMO

Ajit Desai is always with words. He just looks, but the picture clearly says a lot. A movement of the head that occupies the woman's mind between their eyes and a smile "yes". It was surprising then to hear a standstill on a rather simple question. "Where do you see yourself 5-10 years down the line?" At most, immediately, Mr Desai replies, "As the banana king. This time the word is not voluntary. India is the largest producer of bananas in the world with 25% of the global production. Since earlier an Indian company was able to meet the international quality standards, both in sugarcane exports of this fruit, Desai Fruit & Vegetables (DFV) is making this a thing of the past. With the new area of \$750,000 (2006-07), the company has become India's largest banana exporter. Founding DFV in the Desai, 2000 has been the best year of the largest fruit vegetable company in India and works with about 2,500 farmers spread across 23 villages in Gujarat and 16 villages in Maharashtra. This makes DFV one of the largest banana farming exporters in India. More than 200,000 kg of bananas are exported daily. Moreover, DFV has hundreds of farmers over the last 6 years with less than 5% farmer attrition and many in fact are doing better than 5%." Mr Desai. The difference is stark. "We pay 30 kg per plant in the model farm as compared to the normal market of 17 kg in an effort. That's just the jumping quantity but to equality of the product is significantly better," adds Mr Desai. The agreement between the farmer and the company is "flexible". "It is based on cost and commodity looking. They (farmers) get the income guarantee of farm," believes Mr Desai.

DFV has yet to lose a contract farmer who came into its fold. "We provide a minimum price and undertake total investment in seeds, their own common labour bank for specific farming and post-harvesting of banana, cultivation. Any of our contract farmers can ask for skilled labour from this bank," he adds.

The market is covered by Latin America and Philippines with four other players doing the rest. "We're talking about fair marketing of Indian bananas," says Mr Khandekar. Meanwhile, the company's banana dream is being worked on in the 1,000-odd acres across the traditional banana growing land, upper line area in Navsari. "The Desai farm-cultivated farmers

Contract farms are flavour of the season

Desai Fruits & Vegetables Shows The Way

Nidhi Sharma
MUMBAI

SOME days ago, in the otherwise nondescript village of Jhagadia, Gujarat, hundreds of farmers gathered around a consignment of fruits on its way to Jeddah in Saudi Arabia. Nothing unusual about it, one would think. Fruit exports are normal in many Indian villages. But this particular consignment was different. It was grown by farmers working on a contract basis for Desai Fruits and Vegetables (DFV). The company is based in Navsari district of Gujarat.

DFV started its journey with a dairy farm spread over 3 acres back in 1985. He was quick to learn from his first attempt with cooperative farming model when he was 10 years in the age of his 101 kids in 1999-98. "I was experimenting, they said that the model was 100 times based on various farming techniques and outcomes that a job's work," he says. That led to the foundation of DFV.

He has covered integrating small villages in farms direct to farmers producing fruit and vegetables. Today these 100 villages are the most important vegetable suppliers in western India. "We had a lot of handling with the retail sell agents - from seeds, pesticides to irrigation system and harvesting the produce. Hence, as a result, which an unknown village has now become major hub for vegetable produce. Hence, this is the highest quality of produce to be exported from the region. The cost to just be one thing in the contract farming of many more acres, we dream to make DFV the biggest banana company in the world," he adds.

DFV's 2007 turnover was close to \$8 million. The company's equity holding is the nature of 90:10. With 80% owned by contract farming to this, a company based in Zug, Switzerland, Desai has become a global player.

Going bananas worldwide

Ajit Desai
FOUNDER, DESAI FRUITS AND VEGETABLES

Ajit Desai is almost worshipped in Jhagadia village in Navsari, south Gujarat. The man, who is known as Banana King, has changed the face of the village through his entrepreneurial skills. In fact, he has put India on the global map of banana producing nations. From almost negligible banana production in 2001, India today grows over 25% of the world's total crop.

"We will take it to 40% in the next four years," boasts Desai. 48, founder of Desai Fruits and Vegetables (DFV). Founded in 2001, DFV has become the largest banana producing company in India. Desai also claims that his company was the first to export mangoes to the US after the market opened up three years back and enjoys over 80% market share of Indian mangoes exported to US. DFV works with more than 2,800 farmers across 20 villages in Gujarat and five districts in Maharashtra through contract-farming arrangement.

Earlier, the farmers in Jhagadia village produced cotton or sugarcane, but have now diversified to banana production. This has also enhanced their steady income and raised standard of living. DFV export mainly to the Middle-East, Japan and US markets. "We have also recently dispatched consignments to the European market," says Desai. He is looking at expanding the overall production to 2.5 lakh tonnes from the current 60,000 tonne per year. He even supplies to global supermarket chains such as Carrefour, Patel Brothers, Pioneer, Al Maya and Spinneys.

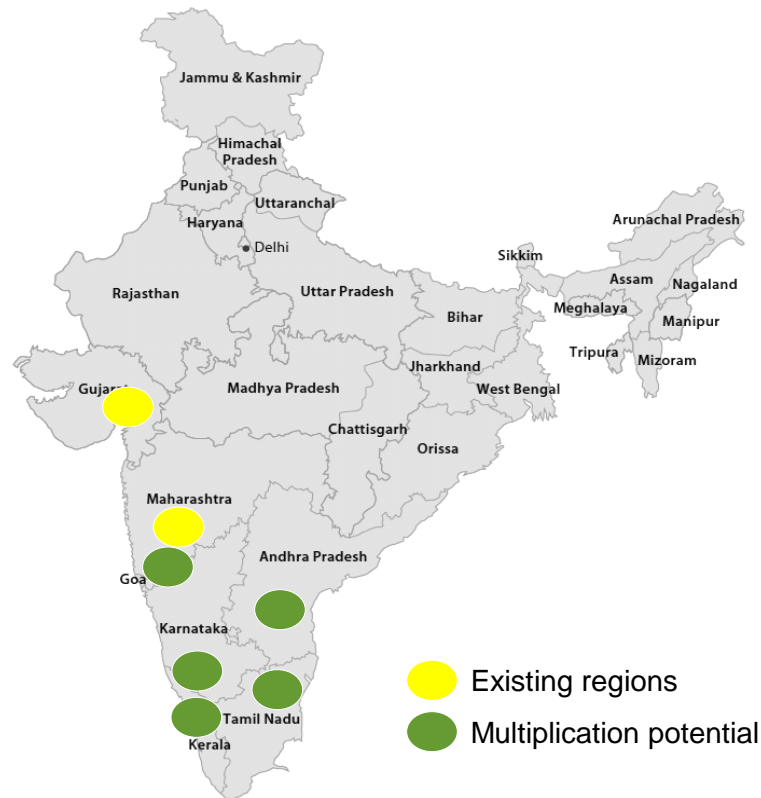
The banana exporting firm uses advanced technology for seedling, harvesting, fertilizing, grading, sorting and packaging under the brand name of DFV. Although Philippines and Latin America lead in the world banana exports claiming over 80% of the total, India expects to grow to 3% from the current 1%, thanks to the man who proved his visionary capability by creating a new space for India. "Desai started his amazing journey with its 1st in 2001 to buy cold-storage facilities and basic infrastructure to create an export-oriented unit. He even tried his hand at a dairy co-operative in the early-90s and booked losses. But that didn't stop him. As luck would have it, in ten years, DFV has crossed Rs 100 cr. and "we expect to do more than Rs 200 cr in the next five years with continuing growth rate of 100%," adds Desai. Though he had not completed his higher secondary, Desai now leads a team of professionals from IIMs and IITs. "I was even invited by IIM-A to deliver a lecture," he recalls.

DFV's 80% equity holding is owned by Contract Farming India, a company based in Zug, Switzerland, and Desai's family owns 20%. DFV has big plans to become major banana player in the world with plans of investment of close to \$50 cr in the next two years.

TAPASH TALUKDAR



Outlook: Up-scaling to multiple regions in India



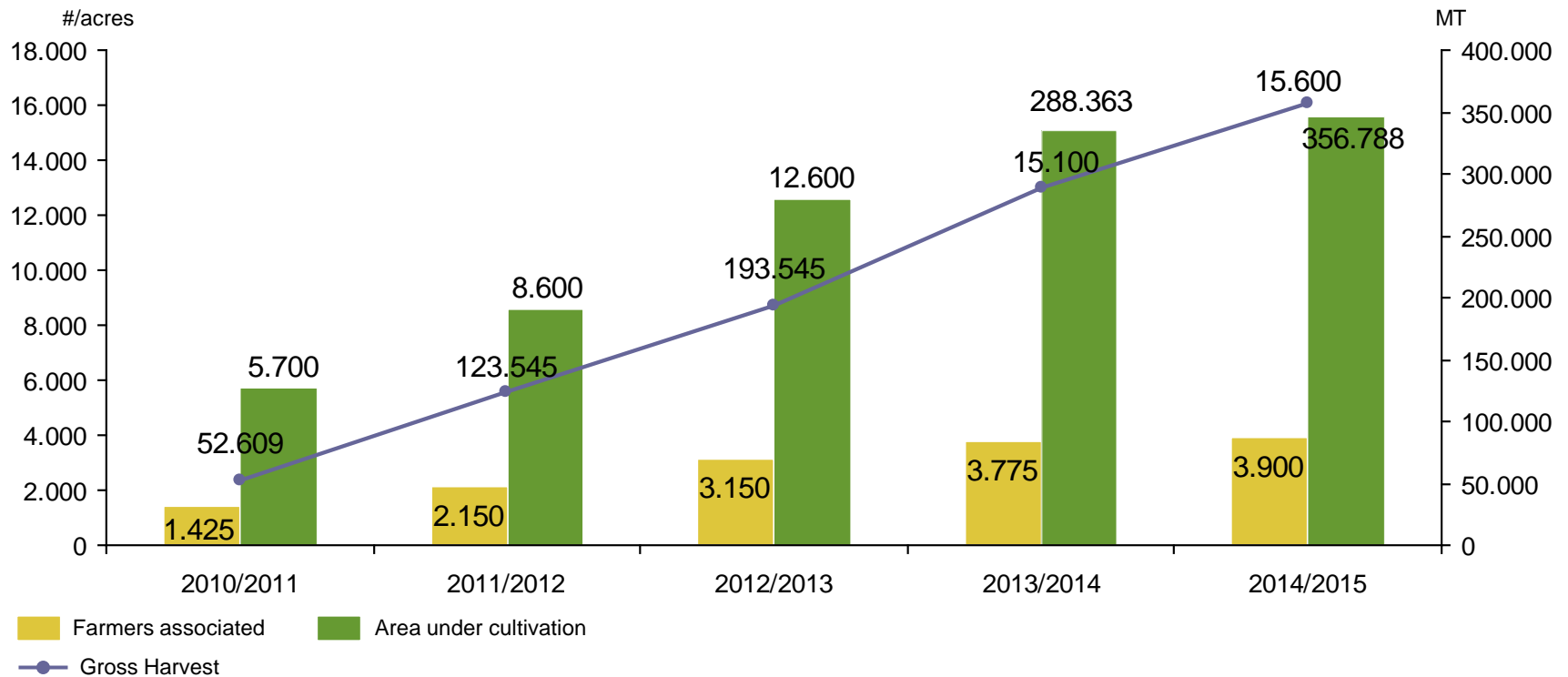
Launch of multiple banana regions in India

- Replication of concept, structures and know-how across India
- Benefit to many more farmers and rural areas
- Regions identified for potential expansion
 - Andhra Pradesh
 - Goa
 - Karnataka
 - Kerala
 - Tamil Nadu

India likely to emerge amongst most important global banana suppliers



DFV five year plan – associated farmers, acres under cultivation and gross harvest banana volumes





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Rural situation and impact of basic and advanced farming know-how

Situation

- 600 million “farmers” in India with high poverty density
- Poor life situation especially for small farmers and rural labors
- Generally farmers are in low casts which has strong impact on life situation
- Highest suicide rate in certain farming areas
- Rural depopulation and “aging” of farmer base as critical factors
- Poor rural education with negative impact on both personal income and natural resources

Impact of education

- Increase fruit productivity per acre through basic best practices
- Increase of fruit quality and access to export markets and higher prices
- Increase of disposable income and general life situation (food, hygiene, education)
- Increase of “prestige” of farmers and attraction of more young and educated people
- Increase of independency of small farmers
- Increase of “natural awareness” with impact on natural resources (water wastage, use of pesticide)

Increased know-how will lead to higher disposable income with a parallel protection of natural resources



Partnership Farming: farmers perspective clearly underlines the sustainable win/win situation with DFV

1. DFV covers market risk

- DFV eliminated traders and dependency of farmers on them
- DFV guarantees annual prices if farmer follows strict "Standard Operating Procedures" for entire harvest

2. DFV improves general economic situation

- DFV increased banana productivity per acre by 100%
- DFV created sustainable production of exportable "A-quality"
- DFV passes cost benefits of buying power through organization to farmers, e.g. tissue culture

3. DFV stands for education

- DFV enables access to education as an integrated part of the Partnership Farming Concept and made considerable investments to that extent

Actual quote from a 63 year old farmer to a large group of young farmers of age 20-27

"In India there are three rules for farmers:

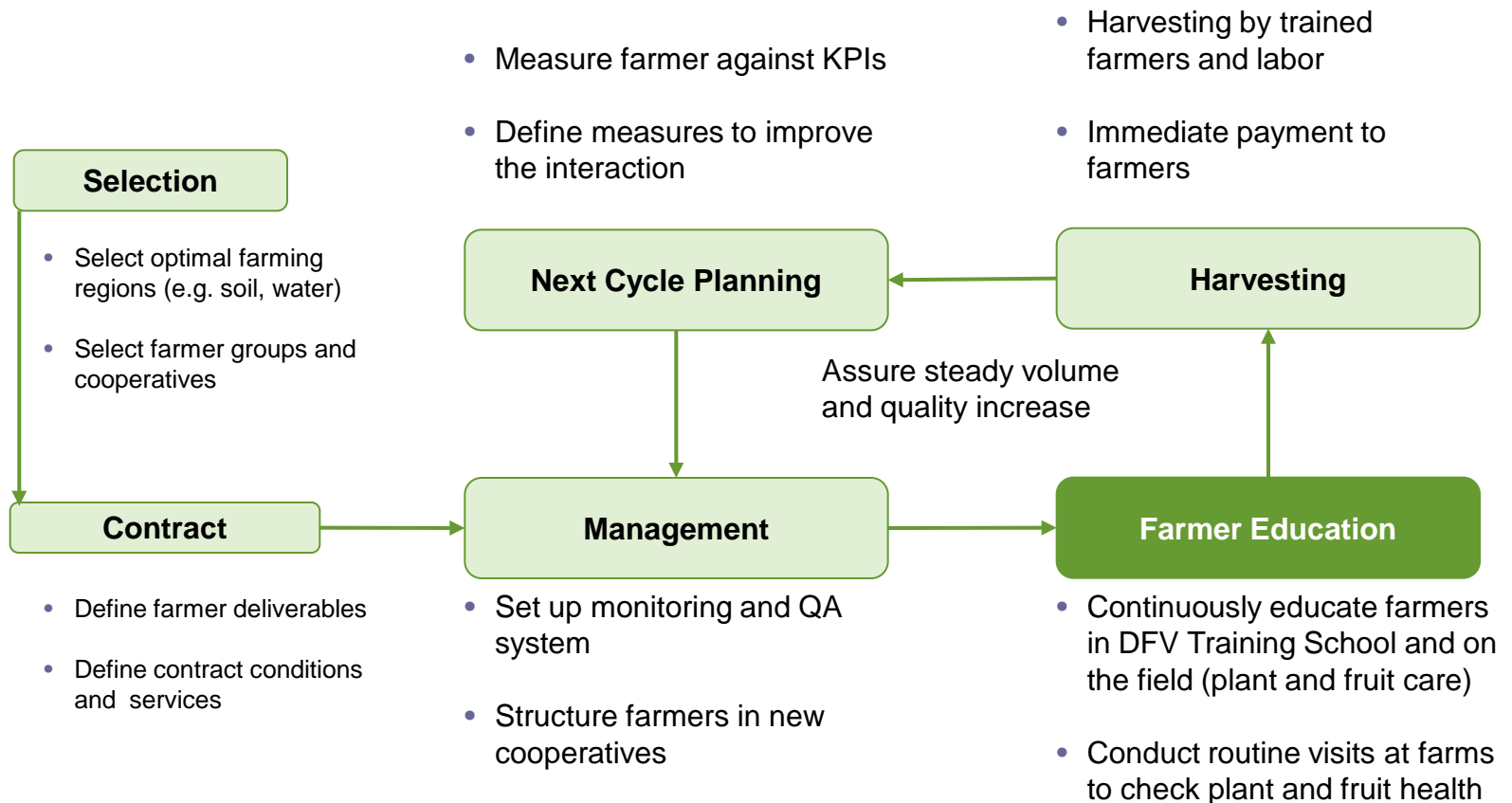
- 1. You are born with debt*
- 2. You live with debt*
- 3. You die with debt*

Now, since two years with DFV, I know this does not longer apply for me: I will not die with debt. The DFV model showed how it really works. You all have such a bright future now!" [...]

14.10.2008, Bharuch, India



Education plays an integral role in sustainability of Partnership Farming





Long-term goals of PPP GTZ/DFV starting in fall 2010

Main Goals of PPP

- **Institutionalization** of farming education and know-how as a matter of public concern
- **Accessibility** of farming education not only to DFV Partnership Farmer but also for farmers outside the DFV system
- **Professionalization** of education on a long term basis and measurement of impact
- **Improvement of income and livelihood** of small farmers and agricultural labourers on a large scale
- **Foster sustainable use of natural resources** to guarantee a welfare base for both present and future generations
- Establish farmers as **proud and independent decision-makers**



PPP to be presented at DFV annual farmers meeting this November – over 2,000 people last year





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