



DECODING IMPACT
SUSTAINABLE SOURCING

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Acknowledgements

Contributors

This podcast was arranged by the **Agriculture Team** in Sattva Knowledge Institute and was hosted by **Rathish Balakrishnan**.

We would like to thank **Mr. Jagjeet Singh Kandal**, Country Director at IDH India, and **Mr. Rijit Sengupta**, Director, Centre for Responsible Business for participating in this podcast and for contributing their valuable expertise, insights and time.

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***Introduction:** From Sattva Knowledge Institute. This is Decoding Impact, the podcast where we apply systems thinking in conversation with extraordinary experts to understand what it truly takes to scale solutions in the social sector. Decoding Impact is hosted by Rathish Balakrishnan, a co-founder and managing partner at Sattva. Welcome to today's episode.*

Rathish Balakrishnan (RB): [00:00:38] The impact of global supply chains on People, Planet and Profits have significantly increased over the years. More than 450 million people are employed as part of global supply chains, with a significant number of them in informal livelihoods. Supply chain operations result in over five times higher carbon emissions than direct operations of corporations. More than 90% of biodiversity loss and water stress is today attributed to unsustainable extraction and processing of raw materials, fuels and food. The good news is that there is also an increasing willingness among firms, especially agribusinesses, to make their supply chains more resilient and sustainable on all fronts. Climate change, evolving consumer preferences and adherence to compliance norms are acting as tailwinds for companies to adopt sustainable sourcing and focus on ESG metrics. Businesses that are shifting to sustainable practices are reported to have the potential to achieve margins that are 12.5 percentage points higher than that of competitors. However, there continue to be supply- and demand-side challenges. While 46% of corporations were reported to be committed to sourcing sustainably, most suppliers felt that it is only important on paper. There are systemic challenges on the supply side too, with respect to capabilities of farmers, among other gaps. So the question for us is, how can we address existing challenges, bridge information asymmetries, and make sustainable sourcing a reality?

I'm delighted to welcome two experts to share their views on this. Today we have with us Mr. Jagjeet Singh Kandal, who is the Country Director at IDH India. Jagjeet brings deep global industry expertise across agribusinesses. Our second guest is Mr. Rijit Sengupta, who heads the Centre for Responsible Business. Rijit has over 20 years of experience in various aspects of sustainable development, both in India and across the globe. Jagjeet And Rijit, thank you so much for joining us today.

Jagjeet Singh Kandal (JK): [00:02:42] Good morning to you, Rathish. Hi, Rijit.

Rijit Sengupta (RS): [00:02:46] Hi, Good morning. Pleasure to be here. Thank you, Rathish.

RB: [00:02:56] Jagjeet and Rijit. While people understand the need for sustainable sourcing, it still is a very broadly understood topic, especially in agriculture. Can I request you to set the context for us? Rijit maybe if you could go first, and tell us what does sustainable sourcing in the context of agriculture mean and where are we with respect to that in India today?

RS: [00:03:19] Sure. Thanks a lot for that question. So as you rightly said in the introductory remark, sustainable sourcing is a very strategic intervention as far as corporates are concerned, and it involves a process of sourcing or procuring agri commodities in a manner that creates either positive impacts or, I'll add another element, creates no significant adverse impacts on certain environmental, social and economic parameters. And that's, I think the key, because we are, of course, Jagjeet has far more experience in this sector. But

when you talk about agri commodities, this is a huge and a very complex sector. You know, on one side touching almost the fringes of the forest and on the other, you know, touching the corners of our eating plates and katoris. So it's a very, very complex and extremely long and involves a very tortuous chain. So as far as India is concerned, there are certain initiatives, certain developments which are happening, and have been happening since a very long time, of course, over the last few decades because of the way international trade and commerce has evolved; in the way customers, investors, financial institutions, international governments have started to look at the mega challenges that we are confronted with. There has been much closer sort of attention to the sustainability element in procurement and sourcing. So while I'll come to specific areas of what we are seeing in India, but generally the trends that we are seeing is that the trends are being seen at two different two broad levels.

RS: [00:05:39] One is the 'Why?' part. Why are businesses resorting to the strategic intervention as far as sustainable sourcing is concerned in the agro food sector? And the reason is very clear that there are risks. And if you look at the World Economic Forum Global Risk Reports for the last three or four years, the risks of biodiversity, the risks of livelihood, the risks of climate action not being successful have dominated the top risks globally. And these are risks which are very, very germane to the agri commodity space. And therefore a number of international organisations, companies, Indian companies as well, are prioritising certain key areas which are of those risks which are critical to them, whether it is deforestation, whether it is soil and water conservation, whether it is renewables, whether they are materials, whether are child labour and wages. We are seeing that kind of a trend now where companies are starting to put and invest in identifying those priorities. Of course, they are not able to put equal emphasis on all of them, but there are certain, if you look at large companies, there are certain areas, plastics, even certain areas that they are focusing on, for example. And then, of course, then there is a whole sort of gamut of interventions that they are doing in order to address those priorities. But probably we'll come to it a little later. But definitely companies are investing much more effort than they were doing earlier on identifying those red flags in their supply chain.

RB: [00:07:48] Thank you, Rijit. And there's so much to unpack there with respect to what you said, because I'd love to hear a lot more around what are these motivations for companies to be able to do this? Some of it, as you rightly said, there is an actual material risk, which is how they are procuring and availability, etc. Some of it is reputational risk, which is, you know, am I seen as a good company to attract capital, to attract talent, etc.? Some of it is just the license to do business, but each of them play out differently for businesses. So at some point we should sort of delve deeper into that. But thanks for setting that up.

Jagjeet, I would love to double-click a lot more on the agriculture aspect of business because you've had extensive experience across the tea businesses and agribusinesses. And agri-businesses fundamentally, I feel are structurally more vulnerable. Farmers have much less negotiation ability than other suppliers and there are always challenges in the regulatory environment and so on as well. So I'd love to sort of hear how you see

sustainable sourcing that Rijit talked about in the context of agriculture specifically. And what are some of the trends that we are seeing in India?

JK: [00:09:04] Thanks. I think what you're touching upon is something also very close to my heart because I've been working with farmers. Right? And when we look at the landscape of farmers across India, the majority is actually a small farmer and that's why he is the most vulnerable. You know, there are a number of different crops, different things, but on a very average maximum number of our farmers, there'd be a huge lot under one acre some, but a very, very big number. And I would just hazard a guess there. I'm not very clear on that number, but over 90% of the farmers would be below two acres kind of across the country. Different crops right now. That really makes them a very vulnerable category. Right. And if I then go back into history and see how agriculture was done in India probably five-six decades ago, where we didn't really know what chemicals were and we were literally into natural farming, which is what was the best way of keeping your soil healthy, using natural resources of water and everything and be there. However, over a period of time came in professionalism, came in stuff from all over the world, and we were introduced to saying, well, you can increase your product and yield and everything by using X, Y, Z chemicals and under the garb of professionalism, we actually went around corrupting the whole process of farming in India.

JK: [00:10:43] Unfortunately, that cycle is now hitting back that very same small farmer who gained from it. Take the Punjab Green Revolution. All the yield increases which have happened across our country. And yes, we have become a big powerhouse of supplying food material, certainly sufficient for India and also exporting it. But it has come at this huge cost that we've neglected our soils and our water resources, which are so critical to agriculture. And the guy who's suffering today the most is that small farmer, which we have, right. So while they had a spurt in incomes, today when things are going bad, particularly with climate change and that cycle is now hitting back that very small farmer, because even these so-called professional and high-intensive agriculture is now not giving him enough income to be able to support his family. So I think the sustainability challenges now are one, we must recognise the result of what the world has done in the past. So it is about and I would use the word greed to some extent, not a very nice word, but yes, it is. That's reality that it was the greed of making things happen faster that is actually got us into that.

JK: [00:12:02] Right. But now the challenge and to the credit of some of the good and big companies across the world, I would say they have made that realisation. And that realisation is now why is coming back to everybody talking about sustainable sourcing, responsible sourcing. And there are different words for it, but largely everybody's coming down to saying what is good, what is right and what should be done. So that's now filtering back through the supply chains onto the farmers. However, I think there is still a bit of a disconnect in what do people think as responsible sourcing, right? What do they communicate back to the production side and the agriculture side, as you said, because the farmer is still a confused guy, people are coming to him with multiple stories of some telling him, look at your soils. Some telling him, talk about water, some telling him, don't use chemicals. Some asking him to now go back to bio and natural farming. And the very recent is everybody talking about carbon and there when you talk of carbon, when you talk of large

numbers, it sounds good. But to a farmer you're only talking an extra \$10 a year, which is actually meaningless. Right? So I think somewhere down the line we really need to define what does responsible sourcing mean and narrow down what we expect that poor farmer to do because he's getting bombarded from so many different sides. I think we are actually confusing him more than what he was doing yesterday. And really to me, when I look at farming, I think we need to focus very clearly, soil and water. The two things which are absolutely critical, everything else actually follows if you get these two things done correctly. So and this is what would be my message back to big companies saying that when they talk of responsible sourcing, that's what they should focus on. So there's soil, there's water. And the third element, which I would add to that is food safety. So, yes, the responsible use of chemicals on the field makes it safer for everybody in the supply chain. And the other element, which I would always add to responsible sourcing is how do you then communicate this whole action to the consumer? Because ultimately he's the one who's driving this. Even when you do a consumer study on sustainability, you will actually come out with very, very different. Kind of issues. So even there, we have not been able to carry the story in a manner where there is enough momentum for everybody to focus on a couple of.

RB: [00:14:50] Thank you so much for sharing that. And one of the points that you made in the middle I want to come back to that on the supply side as well, that a lot of times there is a narrative around what is good for the world that we want the farmer to do, but we don't often articulate what is good for the farmer in this entire process. So sustainable sourcing may be good for the world, it's good for the land. But the farmer is asking, listen, I'm already working on very, very thin margins. What does it mean to me? And as you rightly said, sometimes it's just a ₹10 or a \$10 sort of negotiation for which there is a ton of inputs. And secondly, there is the idea that all of our varied narratives and priorities and expectations converge at the level of a farmer who has very limited resources to act on it. So when we come to the supply side, I definitely want to talk about how do the farmers see this? What are things that we need to do to enable them to be able to do this more effectively? For the moment, I want to stick with the demand side and then let's understand really why sustainable sourcing for the companies. And Rijit, you talked about how the 'why' is getting stronger. And I just wanted to get your sense. I know there are a confluence of issues. There is the climate change, there is the brand perception, consumer insight, etc. If you were to highlight two or three very strong indicators and maybe also specific to specific companies, perhaps if it's not a universal trend that is really shifting this today, number one, and as you're answering this one just sub question there is, is it more a reputation problem that, hey, if I don't do this, I get called out and I don't want to be called out as a company? Or are they actually seeing top-line, bottom-line benefits by doing sustainable sourcing today? Because these are both very strong incentives. But I would love to hear what is this more of? Is it a reputational problem? So I want to be seen as a good, responsible sourcing company, or is it really a material value that they are unlocking in top-line and bottom-line?

RS: [00:16:53] We should be we should be conscious of the context in which we are having this conversation. And this is India. It's a developing country. We have our own aspirations of expanding the economic sort of roti, not the cake, but to ensure that the distributional justice is made. And therefore we cannot have we cannot blindly follow certain methods and

systems and methodologies and approaches and tools. It has to be closer to home to respond to your question. Definitely, there has to be a mix of a carrot and stick approach, and regulations will have to be strongly implemented. There has to be zero tolerance on the implementation of regulations and laws which are critical to issues that Jagjeet just mentioned, you know, soil and water. And maybe we will add a few there as well. In terms of minimum wages, for example, there has to be social security. There has to be consistent application of the law, period. There cannot be any two ways about that. So that's the sort of the stick part. But as far as the carrot part is concerned, there has to be trust built right at the bottom. I think right now what has happened because of things that we've done and what Jagjeet mentioned, there's a fair bit of misinformation or distrust in the system, and that has to be addressed. What has happened is that small farmers, more or even small entrepreneurs have been on the receiving end of all kinds of methodologies, systems, frameworks, codes of conduct and the whole language about sustainability. So we have to give more voice to them, create opportunities for more bottom-up sort of information for the large companies to understand that there are context-related issues, etc. And also at the level of the farmers or the farmers producers organisations, collectivisation is a great opportunity. If you look at the demography of the farming community as all of us are aware, a majority are small farmers or marginal farmers. Now they have barely, very little surplus for the market they have. They mostly produce for themselves. So if you have to create a marketable surplus, the only possible way is to create that collectivisation. And perhaps the solutions lie there. We have had in India, thankfully, a very rich history of collectivisation as far as the sector is concerned. So we need to fall back on that experience and the tradition that we have and try and integrate sustainability principles. If you look at the FPO initiative, for example, the Farmer Producer Organisations Initiative and the Government of India, 10,000 FPOs are being developed. So that's spot on as far as the initiative is concerned. But there is very little integration of sustainability principles into that programme. So that would be a way in which sort of, you know, starting with FPOs, we can start to build their capacity and understanding that this is really old wine in new bottle. You don't have to change much from what you are doing. But the presentation is critical because the language that you are speaking is a little different language. So you have to start communicating in that language that, you know, we are farming in a particular way where we are not using any of those banned chemicals. We are farming in a way where we are not using child labour. We are farming in a way which is inclusive across gender, across class and caste to an extent possible. So those elements should come now from the bottom so that there is a much more balanced conversation on those critical sustainability parameters that matter. It can no longer be that sustainability parameters which matter are designed and defined and shoved by the buyers to the farmers. There has to be some opportunity for the farmers and the producers to also say we will commit to these ten indicators and we can have 100% confidence that we will meet them, but let the farmers provide those indicators. We have failed in giving them that opportunity we have. We feel that we are the ones who know how to fix the system and we know what matters as far as sustainability is concerned. But he is the one who has got his teeth in the game, so he or she has to tell us those indicators. And I think that's where companies are realising they have to move into. And it's great that

organisations are also moving in that direction, working with companies to see how that can happen.

RB: [00:22:33] I think the point you made about making India-specific solutions happen and ensuring participatory models is very valid. I think we should discuss that more. But I want to come back to the original question. I still am struggling to understand what is the carrot in this for a company to do this? I understand the risks of the stick of regulation from the state market pressures, especially in global markets. What is the upside here?

RS: [00:22:58] I think it depends on where the company sees itself. It's right now all companies are related through a very complex chain. So if we say we are looking at a company which is part of a global value chain, for example, an Indian company which procures from farmers and then sells to downstream buyers, retailers, e-commerce. So for them, the carrot really is the opportunity to identify new markets and new customers and new ways of doing business with the downstream actors because a lot of the downstream actors are really looking for suppliers who can supply them materials that have very specific and clear traceability considerations as well as sustainability indicators are concerned. So if a supplier, a company, processor or a supplier or a business like that is able to identify and achieve that level of maturity in identifying and demonstrating their work on those sustainability indicators, which matter for the ultimate downstream buyers, retailers. I mean, you look at, for example, this initiative called the Consumer Goods Forum, which is a global initiative of the top retailers in the world, about 400 members, over four and one half trillion euros in annual sales combined. And they have been driving this initiative on forest positive, for example, looking at deforestation-free supply. So if a buyer, an Indian supplier or Indian company is able to achieve that, you know that there will be little deforestation, sourcing will happen sustainably and they are able to demonstrate that to any of the members of this consumer goods forum, then that's ready market for them. So that's the carrot that, you know, it depends on where you are in that supply chain. The carrot and the stick will vary, but definitely there are carrots for us to explore.

RB: [00:25:12] Thank you, Rijit. And Jagjeet I want to come to you now, specifically from an agriculture lens as well on this question. And I was recently talking to somebody who said that any statement made about agriculture in general is almost always false because the, you know, the specificity of which crop, which product, which produce, which markets, etc., makes such a difference that we sort of seem to use this very broadly as agriculture as an issue. And so I wanted to ask you, do you see some sort of value chains where there is a greater global interest in sustainable sourcing? I don't know if it's true for cotton, for example, or for tea, where, you know, these produce actually have a much greater sort of integration of sustainable sourcing principles where the size of the global market that wants to commit to sustainable sourcing is actually higher as opposed to, let's say, pulses and so on. So we'd love to sort of hear your thoughts. Do you see some variations across different value chains, even within agriculture, on where the carrot for the industry today is actually stronger than the other value chains?

JK: [00:26:22] Absolutely. I think you've raised something which is very important. Right? So if we look at the global scenario, which are the crops which have started and this has happened over the last two decades, The champions or I could even flip it around and say the ones which came under scrutiny were palm oil, soya, coffee, cocoa, tea. And this is where sustainability is talked of more than anything else. Right. So it has been driven by the Western world because, number one, these are also the organised agriculture value chains. Right? That's why they came under the scrutiny of activism. Saying that and coming back to a point which Rijit mentioned about wages, right? These were organised supply chains where there were wages paid, and that's why they came under the scrutiny of the Western world saying we're not paying enough wages. People are being utilised and corrupted within the supply chain. Not enough value is going back. And that's how the whole growth of sustainability in agriculture really has come about. Right. That's at a bigger, larger global scale. There has always been sustainability talked of, but it was never out in the open. In the open it is these few value chains which have actually brought that out and which has actually given rise to certifications. In all these value chains, either certifications have happened because the certifying body has come up or like in palm oil, the whole industry came together and created RSPO, which was an internal thing. But it's still, when you look at it from a, I would take two steps back and then look at that certification landscape. These certifications, instead of becoming voluntary, became actually the stick, which Rijit was talking about, right? That is not the government stick. It became a business stick where big companies started coming back to their suppliers saying, 'unless you do this, we're not going to buy from you'. And unfortunately, in that whole methodology, there was not enough time and energy spent into saying what is the cost of implementing those requirements, and are the producers of those commodities sufficiently remunerated for making that change? And that's one of the reasons why I think certifications have not delivered on the promise of sustainability. And we now today are talking about looking beyond certifications. And I think, and again, that's another point which I completely agree with what Rijit was saying. You know, and you mentioned it also, which is what is good for the farmer, right? We really need to come bottom-up with this. The whole movement of sustainability, really needs to start at the lowest level to see. One, I'm completely aligned to the requirements of certification because that's all about doing things right. But to enable that to happen, we really need to see, have we added value to the farmer? Because if and, and the certifications also one of the things which I always talk about is there's always three pillars. There's People, Planet and Profit. In all certifications, the People aspect is looked at fairly seriously. You know, are there social norms being done? Are they being paid wages? And again, wages is a big question mark because it is what is the wage declared for that? So that's another completely, you know, a discussion which should be had. But there is still some focus on working conditions and stuff like that. There's a fair amount of focus on 'Planet' saying, are we using chemicals, what we are doing there. But when it comes to Profit, there is just not enough discussion of how that profit in any supply chain is shared from end-consumer to the producer. And unfortunately, that's the biggest problem of all certifications that the profitability of the base producer is not looked at. So if you don't look at the sustainability of the lowest segment, the first segment, which is the actual creator of your produce, I think there is a major problem in our supply chain, and I think this is something which is now

coming to the fore in many of the discussions, even with big companies. I think they are now starting to realise that our supply chains are still broken. Despite all the discussion on sustainability and all the big forums that we have. And this goes up right up till your COP and all of them, we all talk sustainability, but somewhere down the line we need to really start saying that is the bottom of our pyramid gaining from everything that's being discussed at the higher level. And if we can't get people to focus back on the bottom of the pyramid, we really do have a serious problem going forward.

RB: [00:31:50] And I think you make a very, very important point. As you were talking, I realised that not only is the fact that we are not pushing down the profits across the value chain, it's getting concentrated at the top. But on the other hand, we're pushing down the costs of it. So which means that the downward part of the value chain actually handles all of the costs of ensuring compliance and readiness and so on. And the end of the value, one end of the value chain is actually benefiting from the certification and is able to accrue the profits. So the unevenness is on both sides, which is that the costs are actually pushed downwards and the profits are sitting concentrated, which really is actually making perhaps the economic instability worse in the value chain. And as you rightly said, the sustainability of the value chain itself is at the question. And the most vulnerable unfortunately now have to pay the price for the greater good in some sense in sustainable sourcing. And it sort of leads me to another question. This is probably the last discussion on the supply side, because as you've all been highlighting, the farmers' side of the story is a lot more important to discuss as well. The point you made is very limited thinking has been given on how to enable the suppliers and the farmers to be able to do this. Do you see an emerging ecosystem of enabling organisations that are large enough and capable enough to provide the support to these suppliers? And are there any form of emerging financing mechanisms that you are seeing which are also helping suppliers with this at all? Any ideas around the ecosystem around this, whether it is strong enough, both in terms of capacity and capability support and in terms of financing.

RS: [00:33:32] Whether there are initiatives and opportunities for us to move forward, I think the answer is a very big and bold 'yes', there are opportunities for us. I think as far as agriculture sciences are concerned, of course, one can argue that the R&D in agriculture hasn't gone up over the last several years. But as far as agricultural sciences is concerned, I think as a country we are fairly well established globally with our understanding of agricultural sciences. However, much of that work, as I think was mentioned earlier, has been done on the supply side. We are talking about the supply side, but we haven't really worked as much in creating that pool in the market, which will actually also sort of incentivise sustainable entrepreneurs or people, the farmers, the groups which have been really toiling hard to achieve certain levels of sustainable business practices. There is very little demand for those goods even. I mean, Jagjeet would agree that many certified commodities, and we don't want to mention them here, are being sold at conventional prices just to ensure that that inventory is cleared up. So, we haven't started to talk to those people. Companies have really struggled and failed, in fact, in communicating and storytelling to their consumers. And I guess, now with this retail and e-commerce revolution that we are having and of course also the D2C possibilities, this opens up a great opportunity for

companies to start telling stories about how they have preserved herds of elephants in their coffee estates, to tell stories about how indigenous populations have been worked with. So why can't we, in our fairly large and swanky cafes that we have, why can't we dedicate one wall for stories about what you know, what effort has been put into each of those commodities that are being sold, whether they are coffee, tea, cocoa, palm oil. You know, these are areas where a fair bit of work has happened. As far as the financial sector is concerned, I think there are some efforts here and there which are being done. The Ministry of Environment and Forests has come up with a programme called BIOFIN, which basically talks about, you know, financing biodiversity. So some work is happening. The Task Force on Nature-related Disclosures globally has also been talking about issues pertaining to investments which will help companies in transitioning forward. So there are some developments happening. But really, the large financial institutions, the banks will have to start to do some of these innovations, pick them up. It is happening at a certain scale. But the requirements are just too large for that experiment and those pilots which are happening. So it has to really go up. Just before I stop, I think there's one another point which is critical especially from the supply side, which is important. And in our work we have been talking about this a lot, is that sustainability is often presumed to be a binary of a yes or a no. You know, you are you are complying, therefore it's a yes, you are sustainable. Or you are not complying, therefore it's a no, you are not sustainable. But especially in a country like India, the gap between the yes and no is so nuanced that we have and companies, international organisations, governments, everybody has to come out of this sort of mental frame of sustainability being a binary, whereas sustainability should be looked up as a graduated, continuous maturity, kind of a system where you create enough opportunity for everybody to get onto that journey. It doesn't matter where you start and how you start it, but start with whatever, whichever issue that you feel is important and just see how that journey evolves and unfolds for you. So I think that's also a very important issue that we are confronting. And I think the earlier we start to sort of shake away that baggage of this binary of sustainability thing that will really help everybody in the value chain.

RB: [00:39:16] So we spoke about the enabling environment and as you rightly said, there is a lot to be done from the banking and finance industry for them to be able to come into this. Jagjeet, I wanted to talk to you about something that Rijit had brought up earlier. There are a few things that are happening right now in the ecosystem, and I wanted to get your thoughts on how much do they actually enable sustainable sourcing. The one is really collectivisation. There is a focus on farmer producer organisations, them getting more organised and more importantly, recognising them as entities that can access credit in some form, engage with markets, negotiate terms, etc. So that is one trend and I know government is putting its weight behind it as well. The second trend in very early stages is the carbon markets conversation, saying can we move money from places where there is actually a negative climate change impact or environmental impact to activities here, which potentially can be a source of capital for some of these initiatives in the sustainable sourcing side. And the third conversation has been around the whole use of technology for observability and traceability, etc. I wanted to ask you, given you are much closer to the farmer and the ground, are some of these things helping today? Like the farmer producer organisations and some things that

are probably still yet to deliver on promised value in making sustainable sourcing actually happen and happen in an effective way for the farmers.

JK: [00:40:44] All these points of what you're talking about, very important to it, some more effective, some less. But before I get to that, I just want to two things which Rijit talked about, and I think I'd like to add to that. One is definitely what he's talking about, that sustainability is not a black and white. It's not a yes or no. And we do need to understand that. Yes, it's a journey, number one. Number two, where I would like to focus a little more is the inclusiveness of sustainability. I don't think we are doing enough of that. So certification, sustainability at times is still being used by businesses as a marketing tool, a competitive tool versus one another. And that's where I think I would actually put out a call for action for big companies saying that they really do need to get onto one table, do pre-competitive work on sustainability. It's about making the ecosystem sustainable. And that's the only way that the value will go down to the bottom of the pyramid. If we don't do that, and if we just focus on our supply chains, that sharing of value is not going to happen. Because then when you're doing it only within your supply chain, it is purely a competitive activity. So I think to me, inclusiveness, making it pre-competitive are absolutely critical elements of how we take sustainability forward, right? Coming to what you were talking about, collectivisation, critical base because, and very simply I think that's more addressing the local challenge which is that our farmers are small right? Without that collectivisation, without farming, that FPO will not be able to do scale and thereby we are not going to be able to connect them to a business, right? So unless that happens, we're not going to create a business out of it. It will be a small transaction, and small transactions are not going to give value to the farmer. And I think the farmers groups need to understand this aspect of it more critically than the businesses, because the businesses are standing on the side waiting for somebody to offer them X quantity and X quality at a value. Right? The problem is at our base level, we are not able to do that. One, we're not able to meet quantities. Secondly, there's a huge variation on quality. So I think that's where, to me, the FPO plays such an important role. And again, I think we're a little too aligned Rijit, you and me. But, maybe I completely agree when he said that the government is doing a phenomenal job of putting out these 10,000 FPOs. However, they're not embedding sustainability. Or what is the requirement of the market? Right? Those are two aspects which need to become the base of the FPO movement. So the sustainability principles. So yes, you know, how our salaries, how our wages put in and finance becomes really part of that because that becomes an enabling ecosystem for other services to come in. But when we're forming an FPO, there needs to be a lot more training at that level for them. Because that's, you know, it's almost like a chicken's neck. On one side, you've got the big body, which is the marketeers sitting, waiting for things to happen. And at the end we've got the government, which is making it happen. But that neck in between is a squeeze because we're not putting it enough value into that FPO system, where we're creating it and then hoping that things will work. It won't. So I think that's something which, if anything, if we could give a message to the government on this would be, how can we actually train those FPOs to deliver what the market demands? And that would take in everything which Rijit was talking about. So that's there. Carbon markets, right? Again, certainly, very talked about today. Every second conversation we are having is on carbon markets, right? Yet I'm not seeing a nice, well-laid-out plan which is actionable on the

ground. Lots of strategy, lots of talk. But frankly, I haven't yet seen a working model. So somewhere I think anybody who's working in that space of carbon does need to really put something on the ground, show that it works. And then we need to be able to connect to say when you say that, yes, it's an access to capital for the farmer. What we do need to realise and what the whole ecosystem needs to realise, is that carbon change happens over a period of time. It's not something that you do today and tomorrow, your carbon status will change. It takes tens of years for the carbon status to change. So what you're really going to be rewarding a farmer for by carbon methodology is the change of system. And that's what people need to realise, that there is a systemic change happening. Results of that, the impacts of that will come over a period of time. And I'm not sure that that yet is being factored in, because many times I still hear people saying, 'oh, we'll do a satellite test and we'll tell you what carbon status was three years ago and what is today'. The change is going to be, for example, most of the carbon in India is at 1% carbon. It will be 1.002 or 1.003 after three years. So that will not really change. I mean, you won't get a carbon credit for much, but if you could pay for the systemic change which the farmer is adopting and how that connects to business needs to be looked at a little more. Tech, I believe, is certainly the biggest enabler which is there today. It's working, but are we rolling it out across the landscape? That's the question. How do we scale it up? I think and there are so many companies working on it. It's unbelievable, the amount of tech agri companies which are working on it. And it's got two aspects to that, even within tech when I look at it. So there is technology which is about actual agriculture, right? And then things like drone spraying which actually helps the farmer big time, not enough being done there. There's a lot of people who are actually doing tech, which is about satellite imagery, getting a status of where you are, what you are doing, helping there, and then being able to connect to a marketplace. I think more of the tech companies are actually getting into that, which is a very welcome step. But I would also ask them to go one step backwards with the farmer and see how can tech be used to actually make him much more efficient. And that's about being able to, let's say, and there are a few companies whom I, I know of who are actually doing extension services using tech. And I think that's a very valuable piece of what's happening on the tech side of it. So to me, tech is definitely if I were to look at your three, I would put tech number one because it's feasible, right? It's doable and there are enough examples of successes. So it's about replicability of that. And it's a business opportunity for many companies to come up. I would say India is very fortunate that we are actually sitting in a place where there are mushrooming tech companies. Every second office here in Gurgaon seems to be one. So it's great to be in that space of it. And I think I would encourage more and more of that happening. And even there, if they could do pre-competitive and start looking at how can we broad bases. So there's definitely space there. FPOs, it's up there. And then to me, carbon comes a little later because carbon is a result of what you've done, what you are doing right. But it's not the actual action. The actual action actually happens in agriculture. So my focus would be how do you get back to the farm? How can we make the farm more efficient? How can we make food safe? Then taking from all this, I have one more thing which goes back to what we were talking with Rijit before, is about how are we taking this story to the consumer? And I go back to some of my discussions with marketeers, right. And the two things which I get from marketeers in India. One is, 'oh, that

consumer is not really demanding sustainable. And they're not willing to pay for it'. So that's one normal phrase which comes out. It's thrown at you from marketers. The other is that the consumer is not price elastic, is not willing to pay more. And I've always gone back with two arguments to marketers. The first, I believe, is that unless you give a consumer a choice, he doesn't know. And in India, we've got enough. If you'll just look at our history and why certain brands have done well, and I'll take the example of the Tata brand. Tata has used just that brand. It's a huge brand in India. And what does it stand for? If you talk to 100 consumers, 50 of them will say, 'Tata is trust for us'. So there is a value which has been created behind the brand. And I believe that that's the story which we need to take more to consumers. So that's the sustainability story. Why that trust is there? Because every consumer, if you go one more step to the guys who say trust, they will come out with 20 different stories of why they trust. And that's all sustainability for that group. I mean, that's what they believe because everybody sees a different face of sustainability there. So I do believe that consumers in India pay for sustainability and they do it very unconsciously. But if you were to take them with an actual story and if you were to start giving them a choice, I believe the consumers would do that. So if you don't have two products to choose from, you will always choose what's there in front of you. And the result of a survey will say that you are not willing to pay for something different. So the first thing to upgrade or upscale something is to be able to give a choice. The second point which marketers come back and say, that people are not willing to pay a premium. Now I think after COVID, one of the biggest learnings for me is that people are willing to pay premiums, right? You have to create the conditions for them to do that. A lot of commodities, and tea is a great example of that. The prices of tea shot up during COVID because there was a shortfall in production, there was a 45-day lockdown in the tea industry and there was a fairly large, almost 100 million kilos, of tea was sought in the year of COVID and production came down. So prices at farm gate went up by about ₹200. And obviously a lot of that got passed on to the consumer and he paid. So my question back to marketers always is that, you know, don't take back the easy route. You really need to work hard with the consumer. But there is certainly scope for asking a consumer to pay for the right, to do good work and then transfer it back to the farmer.

RB: [00:53:11] Very well said. Then that sort of comes to the question of the consumer awareness, Rijit, that you brought up as well. And I think that both the points you made, which is the fact that there has to be choice, because in the absence of choice, there is not much to move on. But the second thing that you said is how oftentimes the idea of price comes from the understanding of value. And the understanding of value is so subtle that it is really about taking the story to the customer and being able to show that this has a higher value and that it's a very imperceptible sort of thing. And Rijit, you mentioned the earlier point around, you know, now with the emergence of e-commerce, I think there's always been a question of what is the medium to take the message to the people, because if it's in a product on a shelf, it's one thing. But now there are online websites, there are experiences that are getting created. Any suggestions and recommendations from your side on how can we engage consumers more actively on this conversation around sustainable sourcing? Are there things that you think are working globally and in India, things that we can actually try to actually increase the size of the pie as well?

RS: [00:54:17] Thank you so much for that question. It goes to my heart. I think first we'll have to stop making the mistake of looking at a consumer as a monolith. Consumers are not monoliths. There are different kinds of consumers geographically. But most importantly, the millennials. Look, the millennials, the youth, the Gen Z, whatever term and whatever definition we can have for them. Many companies, organisations have now realised. I mean, of course, sometimes I feel a little sorry also for my son that, you know, we've done all the bad things and we're hoping that you will change the world. But you. Yeah, you know, some of us are incorrigible optimists, so let's stay with that. So I think companies will have to really unpack what they mean by consumers and where they are and how they are interacting with them. Many consumers now interact not by going to the store, but through their apps, through their phones. So that gives a great opportunity. And, you know, we've been part of this global initiative called the One Planet Network, which is essentially a UNEP initiative. And they have basically an initiative on sustainable consumption and production. And there are six different programmes of that initiative. One of them is on consumer information, which we've been part of, and there are actually guidelines on product sustainability information which were developed by this by us as part of this initiative, by the One Planet Network. And companies have started to look at it. It provides ten indicators of how companies can and should interface with consumers. And some Indian companies actually have, I don't want to take names here, have actually used that guideline. So definitely there is support, there is help available. There are these tools which are available. But what we need to do is to start talking to companies and tell them that this is the direction in which they have to move. I mean, as Jagjeet said, there is data to support that consumers are really willing to pay more. Of course, one could also argue that if you ask that kind of a question, who will say no? But still, that data is fairly, you know, sort of interesting to highlight that consumers are willing to pay more for sustainability. The issue is that the gap between the intent and action, the intent is there. You know, all of us would like to pay more as we have done for tea and of course, oil, edible oil. You know, look at the prices now. We've we are willing to pay some of us are willing to pay, some of us have the ability to pay. But the issue is that the companies have to be forthcoming. They are doing a lot of stuff, but they are not really communicating. So therefore, this is calling out the corporate communication folks in companies that start to interact with the sustainability team. Unfortunately, sustainability team is like an island, you know, and they have to cross. There are no bridges between the procurement, the sustainability, the corporate communication, the finance. They have to start to come together on occasions and talk about these things. So unless that happens, you know, the sustainability functions in companies will remain like the activists talking about the need for sustainable practices but really facing a hard wall. So that's this thing. And you also mentioned this very important element, which is critical. You know, when you talk about consumer welfare in literature, what we've been taught is there are these four aspects of measuring consumer welfare - access, quality, choice, and price. And that's what we've been all taught. Companies are being taught, so we are not looking at the fifth element, which is creating value. Access, quality, choice, price and value. I think the new indicator of consumer welfare has to be this value, which is something that we'll have to let the academics, let the business schools start teaching. But definitely there is so much

to be done in that direction. And I'll also before I stop, refer to what Jagjeet mentioned, very, very important, the technological part. Very, very important, extremely critical. But it has to be appropriate. It cannot be technology which creates... I mean, if you look at, again, the history of technology, that technology seems to have created more difference between the ones which who have access and the ones who don't. So we have to be conscious about this technological divide and to be able to enable appropriate technology. And something that occurred to me is this whole issue of identifying opportunities to address carbon. You know, we are again, looking very narrowly, as Jagjeet mentioned, at opportunities of addressing sequestering carbon, but there are several in the agri commodity space. Very few people, very few companies are working on food loss and waste. 8% globally food loss and waste contributes to GHG emissions. Nobody is looking at that. Crop residue management again contributing to... So we are very focused on these one or two areas where we are looking at addressing the problem or working on carbon. We're not expanding our eyesight to look at those opportunities. There could be very useful technology in post-harvest storage, you know, and that is coming up. That's a big problem. So that can also help in addressing the issue of food loss and waste and therefore work in favour of addressing this problem of carbon. So I think appropriate technology and also our understanding of what consumer welfare means for not just the agri commodities but several other consumer-facing sectors would be very useful.

RB: [01:01:23] The promise of technology is significant and you talked about every second organisation being a technology organisation in Gurgaon. I sit in Bangalore, I guess every house here is a technology house, it is not even every second house. And that gives us just so much horsepower to solve the problem. I think the challenge that I often find when I meet technologists is that there is this adjacency bias. I see the problem next to me. My mother is waiting for groceries, so I will order ten-minute groceries. But the actual problem that they can solve for; there is very limited understanding of the actual challenge and the context in which things have to operate. Like I've been talking to organisations where they're working with farmer producer organisations and a ton of them have talked about how there's a dire need for miniaturised solutions that can work in post-processing, that can work for storage, as you rightly highlighted, Rijit. But it's just that there's a lack of understanding among technologists on these actual problems, which means that tailored solutions often end up don't coming through. And I think one of our problems today is really to see how can we make the technologies of India meet the farmers of Bharat, you know, so that the right solutions get implemented. Because otherwise two very knowledgeable resources, both the farmer and the technologists, often end up talking Greek and Latin to each other, which I don't think is helping our cause.

RB: [01:02:54] Glad I got somebody who cares deeply about the farmer, and another one who cares deeply about the consumer. So we got two ends of the spectrum. And as we were talking, I sort of put together six ideas that I think are emerging in the discussion. I think at the bottom of what we are talking about is this idea that how do we make sustainable sourcing work for farmers? You know, all of us agree that collectivisation is the way to go, but making collectivisation sustainable by providing the right policy environment, right, enabling environment, I think is very, very critical. So I think that forms a foundation in

some sense for everything we're talking about in sustainable sourcing. Then supporting that with really two core inputs that we've talked about. One is technology, technology that is appropriate, tailor-made for these farmers, etc., and ensuring that they can work, number one. And some form of access to finance that's more equitable, where money that is really required to make things happen is actually made available to farmers and the suppliers in an equitable way I think is important. So above this whole farmer producer organisations and collectives is really these two key pillars of technology and, you know, and access to finance. The part about that I think you've brought about is this pre-competition industry collaboration, because this cannot be something that we solve for, industry by industry and because every new industry coming with a standard or a model will mean more work for the supplier and the farmer. So how do we drive pre-industry collaboration on top of this? I think it's going to be very, very important. And on top of that is the consumer awareness, which is how do we ensure value-led dialogue with consumers on what they are consuming and demonstrate to them the narrative that actually can get them to buy. I think these are the five big pieces. And cross-cutting this is a sixth piece that I think I want to talk to you about as well, is the right policy-enabling environment across all of this. You know, the role of the government in some form to make this happen. For me, these six pieces about ensuring that collectivisation and appropriate capability building at the farmer level happens, ensuring technology that's fit for purpose for farmers, ensuring access to finance that's appropriate for suppliers and farmers on really the sourcing side. On the industry side, pre-competition collaboration that is very critical, consumer awareness that is led by the dialogue on value, and conversations around the policy environment, cutting across all of these form like the six pieces that emerged in today's discussion. I want to pause to see if this resonates with you and really also ask your thoughts on what is your wish list? What are some of the areas and priorities that you think we should focus on, to be able to take this forward?

JK: [01:05:40] If I take the first one, how do we make sustainable sourcing work for the farmer? And that's something which again, I'm very passionate about this part, as you can see. And I think you're referring back to something which Rijit was saying about, I think there's a bit of a chicken and egg story happening. Companies want to do something. And again, going back to the pricing and stuff like that, I think the chicken or egg here, is that how does a consumer end up paying more? And you talked about some of us are, Rijit talked about some of us can do it, others can't. Right. But the question which comes in my mind is that. Unless we start, and I'm now connecting it to your first point, right? To me, what's important is that in the value chains, how do we bring it back to the farmer is by ensuring that we ensure a living income for the farmer, and a living wage for the worker. And this is where I'm coming to my chicken and egg thing, right? If the lower rung of the bottom of the pyramid, as I keep calling it, if they don't have enough money and frankly, they are the consumer who's going to pay at the end, right? So companies are taking products there. Their biggest segment is actually the bottom of the pyramid. Now, if the bottom of the pyramid is not paid money in the first instance, he's not going to be able to pay for the products, right? So I think the story really needs to start in every supply chain to look at, are we really paying living income and living wage? If we start doing that, it actually kickstarts the economy because, from bottom-up people have got more money to spend and living income is about being able to do everything for your family, which is housing, medicals,

education, clothing, fooding and have a little extra to be able to spend. That's what is going to kick start, because if you have that little extra to spend, you will then go beyond what you desperately need to do for yourself, right? So to me, that's a very critical part of that. And specifically, one of the things which we do in our work is focus on better incomes and better jobs. So completely linked into this story. And this is closest to the work that we do. And I think that's the call to action here would be and again, it's connected to the policy side of where you're saying, can the government and businesses together define what is living income for India region-wise, number one? And so the benchmarks on living income, benchmarks on living wages need to be defined and then work backwards. I think the government has done some stellar job on defining out the Code of Wages Act. Right, which is what has happened. Unfortunately, the central government has done the job, but the state governments haven't yet put out the rules. And that's where the sixth point I would bring it up, because I think to enable some of the others, the policy engagement and the policy push is really, really necessary. So I would just move that point on policy a little further. I think the government is doing enough. What we are not seeing is some collaboration between government and businesses to align. And there are many businesses which are today talking of living income. We have a living income coalition, we have a living wage coalition happening, but again, not connecting to governments. So if they were to start connecting and the government would see that yes, there is more willingness for businesses to go the same pathway, I'm sure then policies would move faster, for one. Yeah, technology, absolutely. I think access to finance, we don't talk about it enough and it's really the most important thing as far as the farmer is concerned. Unfortunately, in this business, and if I take farming as a business, its input over a long period and output and income coming in over a very short period, which means that he does need support on working capital over the whole growing season, right. And therefore if we could actually give access to finance. And unfortunately, today, because many of them do not have land rights, they are either working on rented land, or just don't have the paperwork in place. Even if he owns the land, he's not getting access to the banks. So they go to other forms of finance which come at a very high rate of interest rate. So this is an absolute critical, if we could actually solve access to finance at reasonable interest to farmers. And ideally, if that's the role which I think certain companies could play, who are the buyers of material, if they could give that as part of business, it could really kick start. But it does need to be regulated so that again, people do not overpower and the power dynamics don't corrupt that collaboration. Pre-competitive collaboration, absolutely there. And finally, so to me the consumer awareness at least in this list I would bring that slightly lower, putting a caveat that it's not I don't think there is a rating in this list, but if I was to make a choice, I would enable the overall farming environment, before I go to the other side.

RB: [01:11:37] Thank you Jagjeet. Thanks so much. And Rijit would love to hear from you as well. Your thoughts on what is your call to action to make this happen?

RS: [01:11:45] Well, thanks a lot. I think as you said, I think well done on sort of summarising the six bullets. Maybe I'll add a little nuance to, I'll do two things. One is maybe I'll add a little bit here to the overall. So I think what you mentioned is really the six components of the hardware. There is also a little bit of work that we need to do on the software and that is

often ignored or missed, not deliberately. One I think is this whole issue of building trust and safe spaces for collaborations and dialogues and collaborative actions to happen. That is something that I think we have underestimated the opportunity that we could have there and the benefit that it would really create. And the second is this whole issue of mindset change. And that's, you know, that's true for all of us, whether we are in whatever sector, whichever part, whatever walk of life we are, whether we are a policymaker, whether we are in industry, whether we are a consumer, this whole issue of the fact that we are really up against time as far as this whole battle is concerned. So we have to really pull up our socks. So this issue of mindset change and sort of if you can weave that into the components that you mentioned, I think first in terms of consumer awareness. It is not just about consumer awareness, but it is also about consumer behaviour. You know, somebody who's a very renowned consumer activist once said that consumers cannot have just rights and no responsibilities. So you cannot, as a consumer, have only about rights without really, you know, fulfilling your responsibility. So are we being responsible consumers, is what we should ask ourselves. Are we consuming responsibly on a day-to-day basis at whatever we are doing? Secondly, I think this whole issue of industry collaboration, I think we need to probably look at it at a certain level. And I think both IDH and CRB and many other organisations, we have been talking about multi-stakeholder sustainability initiatives and collaborations. It is such a complex, multidimensional problem that just only industry people talking amongst themselves cannot solve. It has to be industry, corporates. And again, 'corporates' is not a monolith. You have large MNCs, you've got Indian companies, you've got processors, you've got small and medium enterprises which dominate every sector. So you have to have them into the room. Academics, technology providers, and financial (institutions). You know, the whole mix of things that you said, you know, this is like somebody again said that sustainability is not a burger, it's a biryani. So you have to have the right ingredients and you have to be very slow and patient with how you cook it up. So I think that's a very, very important consideration to make. In terms of the policy environment, again, you know, I think because of the way the policy is sort of designed and implemented in a country in a federal structure. So there are certain policies at the national level, but there are also a lot of policies and policy frameworks at the state level, at the local level, which we have to be aware of. And sustainability principles have to infiltrate all of these elements of policy-making at the Panchayati Raj level, at the state level, at the national level, and the programme level. You know, our understanding of policy, it's just the rules. It's not the rules. There are so many programmes - FPO, the National Mission on Oil Palm, you know, so many programmes, which provide us an opportunity to infiltrate critical elements of sustainability principles. But we're not doing that. So that is something that will also help us in sort of selling it to the politicians and the policymakers that, you know, this is useful for the country. It is going to create jobs. It is going to be consistent with our consideration for the environment. I mean, while releasing the cheetahs, the Prime Minister talked about our tradition of balancing the ecology and the economy. So we have to live up to that expectation that tradition also has from all of us of being able to balance these two things.

RB: [01:16:52] Excellent, Jagjeet and Rijit. It's been an absolute pleasure talking to you. Because when I started this conversation, one of the things I was asking myself is, there are so many good tailwinds coming into play here. This seems like the right time to get sustainable sourcing right. Climate change, inequity crisis, and the economic crisis is like the triple crisis of our times. There seems to be the technology to enable this. There seems to be global interest to making it happen. But many times, such tailwinds and well-intentioned people still cannot solve a problem. Because I think, Rijit, you said it really well. It's about the biryani process, right? It's about making sure that all of this is coming together in the right proportion, and it takes time. And a lot of what we need to do is to keep furthering the enabling environment to make it happen across policy, collaboration, industry, consumer awareness and what, Jagjeet, you rightly highlighted, which is really to strengthen the foundation, which is the farmer and making the farmer happen. I hope the listeners enjoy this as much as we do. I would love to keep this conversation going. I think there's definitely going to be a part two of this at some point where we say, hey, where have we travelled from where we are right now? But thank you so much for making the time for this conversation. Really, really enjoy talking to both of you.

JK: [01:18:06] Thank you so much. I just want to add one more thing to that. I think one of the aspects which we need to do, and it's part of the call to action, which I think we need to do, is one, start creating an India for India story. A lot of the responsible sourcing is western (stories) coming to us. So I've got two things which I would love to take forward, and this could be our discussion the next time. Right? So the first is India for India, how do we get Indian businesses to start talking about it? And inherently, I believe core traditional Indian businesses are more sustainable because of the whole thought process. But we are not taking that story to the consumer and we are not upgrading ourselves to what is sustainability today, because we've all added these all these other dimensions of net zero and stuff like that. And I think Indian businesses need to do that. That's one. The other, and this is where I think the policy side of things come in is, and Rijit and I talked about it last time we met, is about the India import story, right? When you talk of sustainability, 99% will talk of the India export story, which is, yes, we are producing sustainable things for the Western world. Right. I believe that India is a huge powerhouse of economy because we are importing a hell of a lot, right? And when we are importing so much, we should actually start having sustainability standards for the stuff which comes into the country. And why I propagate that is my way of saying that we are then making a positive impact on the rest of the world. So just as an example, if for our palm oil, if we bring in, if India was to say as a policy, that we will only allow palm oil, which is coming from areas which have not been deforested. Right. Look at the impact that we as India can then make to the rest of the world because we are impacting SDGs of the world. So at least from the importing countries, we will ensure that there is no deforestation there. So I am looking at policy matter there where we can actually put standards, but which are very clearly linked to sustainability and good business ethical practices. And I think that's something which is not yet been talked about and I would love to be able to take that story forward.

RB: [01:20:43] Absolutely. So thanks so much for doing that. Thank you, Rijit. Thank you, Jagjeet.

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