

Thomson Reuters: Removing Barriers to Growth in Agriculture



“For me, the really great thing about Project Market Light is that it provides the exact sort of market transparency to create fair and efficient markets at the bottom of the pyramid and not just in the dealing rooms in London.”

-Tom Glocer,
Chief Executive Officer,
Thomson Reuters



Initiative Description

In 2008, Thomson Reuters answered the Business Call to Action with its initiative to provide India's farmers with the tools and information they need to increase productivity and remove barriers to growth. Reuters Market Light, Thomson Reuters' news and advisory service for farmers, leverages the company's core business to reduce poverty and hunger among India's rural farmers and promote sustainable economic growth in the agricultural sector.

Thomson Reuters' goals:

- Provide up to 250 million farmers in India with access to information to improve yields, reduce market inefficiencies, and increase incomes in the agricultural industry
- Extend access to Reuters Market Light services throughout India
- Enroll 500,000 subscribers by the end of 2010

Business Model

Forty years ago, India's "Green Revolution" transformed agricultural production into a modern, technology-driven industry that helped the country transition from a food importer to a food exporter. Today, these gains are slipping and the industry—considered the backbone of the Indian economy—is now struggling to feed the nation's 1.1 billion people. Although a number of factors can be blamed for this slow down, one challenge that many of the nation's rural producers face is lack of access to relevant information about their crops. Approximately 250 million Indians, the vast majority of whom live in rural areas, are engaged in farming or agricultural production. Many of these farmers rely on other farmers or interested third parties to pass along advice about crops, but they do not have access to a consistent, reliable source of agricultural and pricing information. As a result, farmers produce lower crop yields and endure higher levels of crop wastage and spoilage. Moreover, farmers are often charged high transaction fees due to lack of knowledge about current commodity prices.

In 2007, Thomson Reuters realized that this "information asymmetry" among India's farmers provided a tremendous opportunity for the financial news and information company to expand its business. Early surveys indicated that the majority of farmers would value information advisories about crops, especially if this information could help them increase yields and improve incomes. Because mobile phone penetration rates in rural areas were continuing to grow at a steady rate—with over 2-3 million new mobile phone service subscribers each month—it was determined that the best way to get information to farmers was via mobile phones.¹ Thus, Reuters Market Light (RML) was created.

RML is a highly customized and localized agricultural information service

¹ Arora, Bimal & Metz Cummings, Ashley. "Reuters Market Light: Creating Efficient Markets." GIM Case Study No. B088. New York: United Nations Development Programme, 2010.

targeted for India's farmers. The subscription-based service provides each individual farmer with a choice to receive information about over 150 crop types in more than 1,000 markets via mobile phone messaging services. Farmers subscribed to the service receive content customized to their individual preferences. On average, each farmer receives four messages each day providing information about the local weather forecast, local market prices, relevant news for two types of crops, and tips about harvesting, proper fertilizer usage, irrigation methods, seed and soil combinations, and more. Farmers can subscribe to services for 3-, 6-, or 12-month periods at rates that amount to just a few Indian Rupees a day or Rs.175 (US\$4.10) for 3 months.

These subscriptions can be purchased through a network of distributors, including post offices, banks, seed and fertilizer dealers among others. To activate service, a farmer simply calls in to RML and specifies their information preferences. Service commences within 48 hours of activation and farmers benefit immediately from accurate, timely, and personalized agricultural information.

How it Works:

In the early days of the RML project, the RML unit was based in Thomson Reuters' headquarters in London. The unit was located in the Innovation Program which worked with a venture board—a governing body made up of the senior management of the company, including CEO Tom Glocer—would meet every three to six months to review progress and viability of the initiative. In October 2007, after a successful pilot run, RML launched the project in Maharashtra, a state in Western India. At this point, the RML unit moved from the Innovation Program to make its home in the Sales and Trading Business Unit at Thomson Reuters.

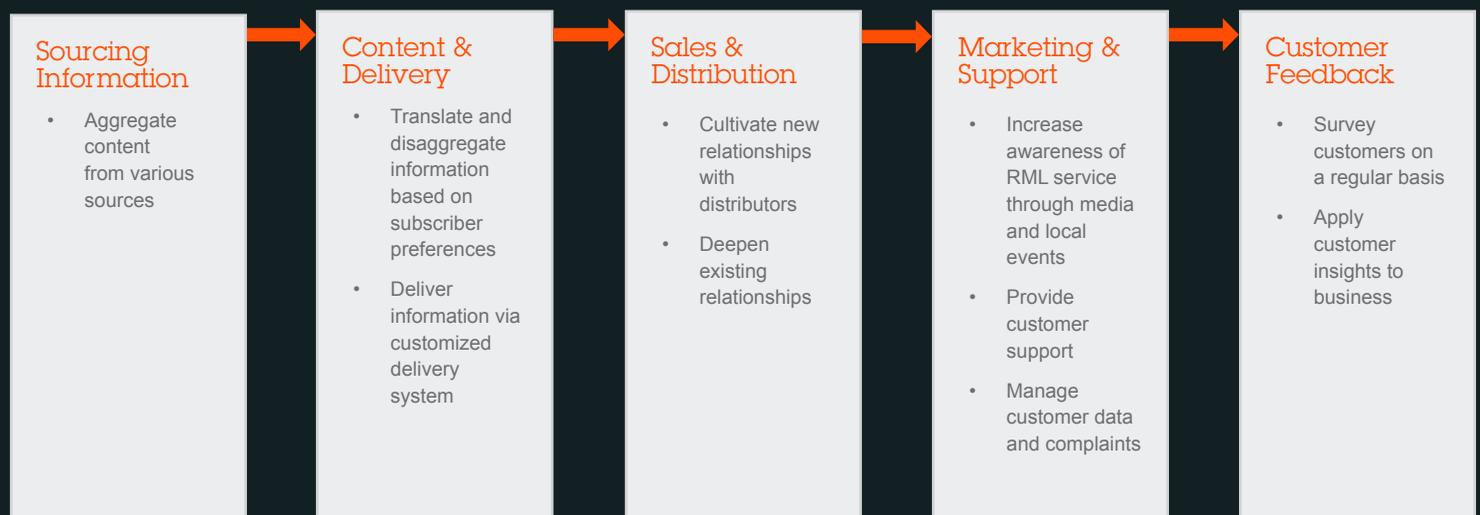
Today, RML is a unique division with 50 full-time employees and an additional 700 staff that monitor markets throughout the country. Operations are divided into two main divisions: Editorial and Content Services, responsible for developing content, and Sales and Marketing, which builds partnerships with distributors.

The Editorial and Content Services division creates information from a number of different sources. RML employs a team of market reporters from throughout the country to report on commodity prices at local markets. Weather data is sourced from weather stations from around the world, and market information and news comes from Reuters own information networks. Crop advisories and tips are provided by a group of agriculture research institutes and government research bodies, managed by an internal set of experts.

RML's Sales and Marketing Division develops relationships with distributors throughout the country. RML works with several partners at the regional level to distribute its voucher cards. Currently, subscription voucher cards can be found at post offices, through mobile service providers and agribusiness chains. Major partners include Idea Cellular; Aadhar of Future Group, a rural retailer group; and Biostadt, an agricultural products provider. This division is also responsible for raising awareness and demand for RML's service among farmers. Recently, RML has partnered with the oil exploration and extraction company Cairn Energy to distribute RML subscriptions to farmers in the state of Rajasthan.

To expand access to RML, the unit reevaluates how to better meet the needs of its customers on a regular basis. Every six to eight weeks, an independent research group conducts surveys identifying ways in which RML could improve its products and services. As a result of the surveys, RML has developed a voicemail service to serve the needs of illiterate farmers.

Reuters Market Light (RML) Business Operations Model



Source: Ibid.

Results Achieved

Since launching in October 2007, nearly 300,000 individual farmers across 15,000 villages have bought subscriptions to RML.

Business Impact

Thomson Reuters invested in RML because the initiative has the potential to bring significant revenues to the company in the long-term. In India alone, there are more than 250 million agricultural producers which represent an estimated US\$500 million potential market opportunity. Although RML is still a start-up enterprise that has yet to break even, sales of the service crossed the US\$1 million sales mark in 2009.

Besides strong sales figures, there are other early indicators of RML's success. Just a little over two years after launching the new product, RML has reached nearly 300,000 subscribers in 12 states. The company plans to reach 500,000 subscribers by the end of 2010. To reach this target, RML is expanding service availability throughout India and deploying a number of different sales tactics to reach rural producers. The company has also developed a voicemail advisory product for illiterate farmers and created a differentiated pricing structure to reach the poorest farmers.

RML has been so successful, Thomson Reuters is eager to replicate the initiative in key African markets.

Development Impact

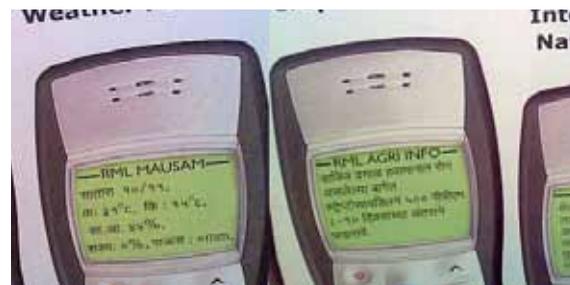
Before RML, farmers in India had very limited information on current and local market prices for their crops or timely information that would help them decide the best time to harvest their crops. This lack of information hindered market efficiency, reduced yields, and increased crop wastage, which impacted a farmer's earnings and livelihood. RML helps to meet the goals of Millennium Development Goal 1 to reduce poverty and end hunger by correcting this information asymmetry.

Farmers in India get as little as 24 percent of the value of their agricultural products due to lack of information about market pricing. Some early studies suggest that farmers using RML now benefit from an average of 5 to 10 percent increase in incomes because they have access to accurate information, with some farmers reporting increases of up to 23 percent.² In early studies on the model, a reported 70 percent of farmers changed their behavior based on the information they receive from the daily text messages and felt that they were better able to judge when to harvest, sell, and store crops.³ A sample survey conducted by the Indian Market Research Bureau found that 60 percent of farmers reported that they chose which market to sell their produce at based on the price information they received each day. Aside from the direct financial impact, RML helps farmers to negotiate rates for their crops, make better decisions to enhance productivity, and reduce losses based on reliable agriculture news, crop advisory, and localized weather forecasts.

RML's information is considered so valuable among farmers that its reach goes beyond subscribers; it is estimated that the service reaches one million farmers in all.

² Ibid

³ Ibid



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Key Success Factors

Engaged Senior Management

Critical to the successful start-up of the RML service was Thomson Reuters' belief that it was a good business investment. The RML service was a risky investment for the company, and the unit had to develop content and distribution channels from scratch which took time and money. Without the support of top management, this project would not have received the initial funding and support needed to make it a success.

Focus on the Consumer

RML surveys its subscribers every six to eight weeks to better understand what the farmers like or do not like about the product. They understand that their target market has only a limited amount of disposable income to invest in products like this, so they want to ensure that they deliver value for the consumer.

Dedicated and Committed Staff

It is clear that RML can be a valuable tool for farmers in rural India. However, building a business from the ground up is an enormously expensive undertaking. A project such as this requires staff to be flexible, entrepreneurial, and willing to take risks but also have a clear vision of what can be achieved. The team must be ready to change course and consider new tactics in order to achieve the desired results.

Next Steps and Spin Off Effects

RML is still in the start-up phase of development. In early 2010, the unit focused on achieving scale in India, expanding market penetration, and improving the quality and content of the service.

Extend Reach

RML is planning to extend service throughout most of India by April 2011. To achieve scale, the company is boosting its sales efforts within each region and working to significantly increase the number of distributors selling RML subscription cards by the end of 2010. In addition, RML is consistently improving upon the service it provides farmers by listening to their needs. This commitment to customer service is helping the company expand its customer base.

Replicate Model in Key Markets

Outside of India, Thomson Reuters is exploring the potential expansion of the RML service to key markets in Africa. The company is currently evaluating where the service would be most in demand.

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