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By

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ARGI-BUSINESS RAY FOR SUSTAINABLE ECONOMY



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Abstract

Major part of Indian population is dependent on agriculture and this sector also supplies raw material for various industries. The progressive growth of Indian economy is most likely to be controlled by the agribusiness sector. The scope and opportunities in the agri-business have substantially expanded due to globalization of trade and agriculture and the policy reforms at national level, leading to an unprecedented level of corporate interest in this sector. The policies of globalization have taken Indian agriculture into the global village, opening up various opportunities as well as numerous challenges. The current structural changes in the economy have resulted in major shifts in the Indian agricultural scenario. The world eyes with awe and optimism the fast growing Indian rural market, which has become indispensable for making corporate growth strategy in the country. Research reports point out that the total rural market in India is larger than its urban counterpart. Agribusiness has opened up vast opportunities for value addition, packaging, retailing, and exports of agricultural products with high application of technology and management. Despite all these healthy trends, agri-business has its challenges for rural development in terms of resource utilization, rural livelihood and rural ecology. This paper examines how agri-business has opened new vistas for growth and development of the rural economy in general and of the agrarian economy in particular. It also analyses the challenges in developing agribusiness arising out of the diversity and/or paucity of resources and difficulties of adaptation.

Keywords: *Indian Economy; Agriculture; Agribusiness*

Introduction

Agribusiness is the business of agricultural production. The term was coined in 1957 by Goldberg and Davis. It includes, agrichemicals, breeding, crop production (farming and contract farming), distribution, farm machinery, processing, and seed supply, as well as marketing and retail sales. All agents of the food and fibre value chain and those institutions that influence it are part of the agribusiness system. Within the agriculture industry, "agribusiness" is used referring to agriculture and business, inclusive of the range of activities and disciplines encompassed by modern food production. There are academic degrees in and departments of agribusiness, agribusiness trade associations, agribusiness publications, and so forth, worldwide. Agri-business has evolved out of the new input-output matrix. Application of managerial concepts, models and strategies at both individual and institutional levels are concrete with set results. Agriprenuers are now realizing the importance of quality changes and value addition in agriculture. Issues regarding appropriate technology, labour productivity, cooperation, credit, and marketing and extension services are crucial even in the new set-up of reforms. Risk and uncertainty being inevitable parameters of modern business, serving farmers and saving farming has become the need of the hour. Public-private partnership and other support mechanisms will have to be strengthened to tackle the challenges.

India, with the second largest cultivable land in the world, and with diverse agro-climatic zones across the country, has tremendous production advantages in agriculture, with the potential to cultivate a vast range of agricultural products. This strong base in agriculture provides a large and varied raw material base for food processing. These advantages if leveraged optimally, can lead to India becoming a leading food supplier to the world. However, the increasing pressure on land availability is often leading to shortfall in food supply in many crops, thereby threatening India's food security. This can only be bridged through increasing farm yields, reducing wastage along the supply chain through better storage and post harvest infrastructure and improved logistics.

The commercialization of agriculture into agribusiness is supported by both the fast growing domestic market and the increasing acceptability of Indian food products in the international market. With a population of over 1.2 billion and growing at about 1.6 % per annum, India is a large and growing market for food products. Food products are the single largest component of private consumption expenditure. With a significant shift in India's demographic profile in favor of younger population, increasing surplus incomes, rising urbanization and changing lifestyles, food

consumption patterns are steadily changing in favour of packaged /branded food products, convenient kitchen solutions as well as health foods. This has also led to growth in both organized food retail as well as organized food service with consumers seeking a better shopping experience and showing a willingness to try out cuisines from across the world.

However, the Indian F&A sector still remains largely unorganized and requires a significant amount of patience and expertise in educating the promoters, analyzing the unusual circumstances and also structuring complex investments. The evolving Indian F&A landscape therefore presents significant investment opportunities along with several industry-specific risks.

India's transition from an agrarian economy to the world's food factory thus entails significant investments and knowledge support. Besides capital, realizing India's potential in agribusiness would require an in-depth understanding of the international farming practices, technologies, application of food safety norms, global market linkages coupled with a through appreciation of local knowledge and practices.

Agribusiness in Today's World

About one fourth of fruits and vegetables are getting spoiled before reaching to the consumer, largely because of the absence of adequate infrastructure. Last few years there have witnessed a radial shift in the nature of agribusiness, and as a result the demand for competent and dynamic professionals has grown manifold. The current structural changes in the economy have resulted in major shifts in the Indian agricultural scenario. The scope and opportunity in the agri-business has been increased due to policy reforms at local level under the directives of WTO regime.

Agribusiness has opened up vast opportunities in the industries like packaging, supply of raw material, processed agri food production, export of agricultural products and other allied field with the use of high level technology. "To succeed in India, agribusiness must empower the farmer by making agriculture profitable, not by exploiting him," says Mr Patnaik.

Scope for Agribusiness in India

1. India is endowed with varied ago-climate, which facilitates production of temperate, subtropical and tropical agricultural commodities.
2. There is growing demand for agricultural inputs like feed and fodder, inorganic fertilizers, bio-fertilizers

3. Biotechnology applications in agriculture have vast scope in production of seed, bio-control agents, industrial harnessing of microbes for bakery products.
4. Export can be harnessed as a source of economic growth.
5. At present processing is done at primary level only and the rising standard of living expands opportunities for secondary and tertiary processing of agricultural commodities.
6. The vast coastal line and internal water courses provides enormous opportunity for production of marine and inland fish and ornamental fish culture gaining popularity with increase in aesthetic value among the citizens of India.
7. The livestock wealth gives enormous scope for production of meat, milk and milk products, poultry products etc
8. The forest resources can be utilized for production of by products of forestry.
9. Beekeeping and apiary can be taken up on large scale in India.
10. Mushroom production for domestic consumption and export can be enhanced with improvement in the state of art of their production.
11. Organic farming has highest potential in India as the pesticide and inorganic fertilizer application are less in India compared to industrial nations of the world. The farmers can be encouraged and educated to switch over for organic farming.
12. There is wide scope for production and promotion of bio-pesticides and bio-control agents for protection of crops.
13. Seeds, hybrid and genetically modified crops, have the highest potential in India in the future, since the productivity of high yielding varieties have reached a plateau.
14. Micro-irrigation systems and labor saving farm equipments have good potential for the years to come due to declining groundwater level and labor scarcity for agricultural operations like weeding, transplanting and harvesting.
15. Production of vegetables and flowers under green house conditions can be taken up to harness the export market.
16. Trained human resources in agriculture and allied sciences will take on agricultural extension system due to dwindling resources of state finance and downsizing the present government agricultural extension staff as consulting services.
17. The enhanced agricultural production throws open opportunities for employment in marketing, transport, cold storage and warehousing facilities, credit, insurance and logistic support services.

As India's economy transcends its USD 1 trillion benchmark, agriculture is moving towards agribusiness.

INDIAN AGRICULTURE - SNAPSHOT

With nearly 12% of the global arable land, Indian Agriculture enjoys an enviable position.

This is further reinforced with the following:

- » 3rd largest producer of food grains
 - Largest Producer of Pulses • Second largest producer of Food grains
 - Second largest producer of Sugarcane
- » 2nd largest producer of fruits and vegetables
 - 41% of mango • 23% of Banana • 24 % of cashew nut • 10% of onion
 - 30% of cauliflower • 36% of Green Peas.
- » Largest producer of milk
- » Largest number of livestock
 - 53% of world's buffalo • 17% of goat • Fifth in world egg production

Source: FAO / NHB / Department of Animal Husbandry

This enviable position is based on:

- » Growing economy with strong fundamentals
- » Predominantly agrarian society
- » Large arable land
- » Favourable tropical climatic conditions
- » Enterprising farming community
- » Skilled workforce for traditional agriculture
- » State commitment
- » Small land holdings facilitating close supervision and operational flexibility
- » Thrust on diversifications

Factors that enhance agribusiness opportunities:

Strong agriculture	State support
Multi product environment	Vibrant economy
Product availability throughout the year	Strong domestic market
Land area not a constraint	Products for global markets
Wealth of human resources	Presence of global MNCs
Exportable surplus	Processing capability

Big Concerns Today

- Supply side equation in production
- Low farm realization
- Technology and methods out of steplow yields
- Lack of market led agri research
- Low investments in agriculture.....virtual collapse of infrastructure
- Distorted resource allocation
- The subpar quality and reach of credit flow

Disjointed Supply Chain

Farmer Village Commission Agent Mandi / Local agents Wholesale mandi Distributor
Transportation Processor Retailer Consumer • Low yield / non-standard quality • Price de-linked from market • Unscientific and unhygienic handling • Poor market access • Loss in trade passed onto farmer • No infrastructure for handling / grading • Price quality correlation not assured • Unscientific method leading to loss of quality / damages • Inadequate infrastructure • Rampant wastage • Opportunistic profiteering • No control on quantity / quality of raw material • Lack of infrastructure leading to loss of quality • Lack of infrastructure leading to loss of quality • High prices • Limited choice

Non value adding players

Marketing Infrastructure- Shortages

- Rural roads (about half the villages)....high return proposition
- Grading at farmer level - 7%, Storage – about 30%
- Cold storage capacity - 10% of production
- Inadequate facilities in yards& rural markets
- Losses at pre-market stage

Considerable expansion but still shows regional disparities

Recent Developments

- GOI Strategy for Agricultural Marketing Development – Major Initiatives
- 15 State Govts. amended APMC Act
- Adopted Warehousing Regulations Act
- Private sector warehousing/transport companies in procurement for FCI
- Enactment of the Food Safety and Standards Bill 2005
- Incentives to agro-processing industries for fruits and vegetables

- Developing 30 mega food parks: "from the farm gate to the retail outlet".

Recent Developments Major steps in right direction.....lot more needs to be done

Agribusiness – Private Initiative

- SABMiller India: Contract farming agreement with barley farmers
- Adani Agrifresh: Large investment over next 3 years in supply chain
- Cadbury India Ltd: to promote cocoa farming in 50,000 acres
- Mahindra: potato seed development through contract farming
- Himalaya Drugs: Sourcing 70 per cent of herbs from farmers
- PepsiCo: Introduced high-yielding seeds
- International Development Enterprises (India) (IDEI): Identifies and develops appropriate technologies that help small farmers
- Reliance Retail: Established 'farm to fork' pan-India network

Major initiatives on ground.....however scale is the key

Lab to Farm – Need of the Hour

- Market driven research holds the key
- Redefine research agenda - adopt and operate as per local needs
- Increase public-private partnership in agricultural research
- Mobilize private sector as a catalyst to link lab to farm
- Allow usage of public research infrastructure on PPP basis
- Scientist and University Fellows can associate with private sector
- Research Institutes may adopt and develop package of farm practices

Large potential to harness the potential of Research Institutions

Government Support

- Upgrade the existing agri marketing infrastructure
- Conducive institutional environment to attract private investment in agri value chain and food-processing
- Consistency in reforms & rules and regulations
- Deregulation of market....with reasonable controls
- Fine-tune the role play of various agencies

Need to carry forward the momentum in reforms at accelerated pace

SWOT OF INDIAN AGRICULTURE

STRENGTHS <ul style="list-style-type: none">➤ Rich Bio-diversity➤ Arable land➤ Climate➤ Strong and well dispersed research and extension system	WEAKNESS <ul style="list-style-type: none">➤ Fragmentation of land➤ Low Technology Inputs➤ Unsustainable Water Management➤ Poor Infrastructure➤ Low value addition
OPPORTUNITIES <ul style="list-style-type: none">➤ Bridgeable yield crops➤ Exports➤ Agro-based Industry➤ Horticulture➤ Untapped potential in the N.E.	THREATS <ul style="list-style-type: none">➤ Unsustainable Resource Use➤ Unsustainable Regional Development➤ Imports

Conclusion

The private sector, for long, did not invest or shied away from investment in the agricultural marketing activities. It is only during the past five years or so, i.e. the second phase of liberalization, that the agricultural reforms were initiated. One of the outcomes of these initiatives has been the entry of private sector in agribusiness activities on a substantial scale. A shift from 'agriculture to agribusinesses' is being viewed as an essential pathway to revitalize Indian agriculture. While the share of pure agriculture in GDP may decline, the share of agribusiness will not and is bound to go up with the demand for value addition continuously increasing. It is in this context that it has long been argued for redefining agriculture as 'the science and practice of activities relating to production, processing, marketing, distribution and trade of food, feed and fibre'. Implicit in this definition are two ideas. One is that while planning and macro managing the agricultural sector, the focus should now shift from 'only production' to 'production plus all other associated activities' that constitute agribusiness. And second is the shift from production to innovation, which is the

specific requirement of entrepreneurship. Essentially, entrepreneurs are innovators. Innovation has been the key to success of every entrepreneur, be it a farmer or trader. Entrepreneurs strive to compete with others through innovations. Through innovations small farmers or small enterprises are able to counter the disadvantages of size and scale. Finding the balance between development potential arising out of investment by the private sector and implications of these developments for employment of a considerable section of society is one of the major challenges of policymakers today. The most important issue, relates to the legal and regulatory framework that is put in place, which will determine whether or not adequate private investment flows in these activities and the market structure that ultimately emerges is more or less perfect than that is today.

Transforming AGRICULTURE to AGRIBUSINESS will lead to a quantum jump in value added from a "supply-driven" low-volume situation to a "demand-driven" high-value business

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