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Agri-Business – A Managerial Perspective

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ABSTRACT

Agricultural produce is produced, processed, marketed, and shipped in the agribusiness industry. The growth of the agribusiness industry assists in the stabilization agriculture, making it more profitable and providing employment opportunities at the production and marketing stages. This article aims to investigate the sector's trends and shifts, as well as the challenges that are impeding the industry's development in the country. Rising per capita incomes and urbanization are the key drivers of change in the Indian agricultural economy. Farmers must respond to this emerging demand not just by diversifying their produce, but also by improving postharvest management. Cost-effective production of innovative products, improved seeds, fertilizers, plant protection chemicals, specialized/customized agricultural machinery, and animal feed will enhance competition among private agribusiness enterprises. The fast-changing structure of the agribusiness value chain will have to be factored into agricultural development policies and there is no question that the agricultural industry has a lot of potential for improving rural incomes and for creating opportunities for the unemployed in rural areas. Knowledge on modern technical and scientific possibilities, production patterns, product areas and flows, distribution and logistics, market and customers are all significant in improving competence and expanding agribusiness horizons. Growth of the agribusiness industry is critical for the country's food security, and improved livelihood of the rural population. As a result, transition from agriculture to agribusiness is important for revitalization of Indian agriculture.

Keywords: Agribusiness, scope, trends, challenges, opportunities

Introduction

Agriculture is an economic sector that provides employment to a major share of population in the world, and is major source of food and revenue. Agricultural investment is not only an effective way to enhance food security and promote sustainability, but also important for a country's economic development. Agriculture and farming were synonymous for centuries, and majority of the people lived on or near farms and were self-sufficient. It was regarded as a farmer's basic occupation that incorporated both agricultural and livestock activities. However, this has changed over the years, where agriculture is undergoing a massive transition. This shift in agriculture is largely driven by significant restrictions, requirements and demand, and economic adjustments that occur as development advances. A farm is no longer an isolated entity or a self-contained unit; instead, it interacts with a wide number of other players. This demonstrates change in agriculture towards a more complex and robust system i.e. agribusiness.

Agribusiness is the total output that results from farm production and product processing both before and after the farm gate. It refers to all the activities that occur throughout the production, manufacture, distribution, wholesale, and retail sale of an agricultural commodity, as well as those activities that occur in between. It handles backward and forward linkages in the production, processing, marketing, trading, and distribution of raw and processed food, feed, and fibre, as well as the provision of inputs and services for these processes (Acharya, 2007).

Today's production cannot be profitably handled by the present agricultural marketing system and infrastructure; hence a shift in policy focus from production to commercialization is necessary. To enhance rural livelihoods in India, significant agricultural changes are necessary, improved productivity practices other than crop husbandry, market reforms, and creation of new capacity in agro services such as food storage, sorting, handling, and processing and allowing farmers to profit from the expanded value-addition activities. Certain aspects, such as infrastructural accessibility, insurance security, information transfer, and, most of all, a strong political commitment to remove impediments to agricultural development, are highly needed (Hans, 2008). There is still an imbalance in rural socioeconomic development and in urban-rural livelihood that can only be resolved by developing rural infrastructure and fostering a growth-oriented business climate. Agribusiness is one solution that can help to address this imbalance, particularly from the bottom/grassroots level.

In India, the organized sector processes just about 14% of agricultural product, but it is projected that if the sector is supported by sufficient policy support, it is expected to grow into a major source of employment, absorbing 17 to 40% of working people and engaging them in diverse sector activities, improving their livelihood (The World Bank, 2017). Focusing on agribusiness in terms of post-harvest management can help generate farm profits and efficient resource use.

Agribusiness creates off-farm job opportunities in rural agro-industrial companies, thereby increasing rural household income through wage employment and spillover effects that can increase on-farm agricultural productivity through increased liquidity to buy inputs and increased capacity to adopt technologies. It aids in the formation of the critical connection between agricultural and industry, which can then accelerate the growth of larger industrial businesses. Increased employment prospects in rural region can assist in reducing urban migration pressures. This not only relieves the pressure on urban services, but also works to keep rural families together.

Indian agribusiness focuses on value chain and companies are investing significantly across segments of the food and agricultural value chain. Agricultural input manufacturers, retailers, farmers, and food processors continue to emerge gradually across the value chain. In addition, Indian agribusiness companies are working on synergistic acquisitions and partnerships to increase their market share and agricultural profitability. Indian agribusiness enterprises are working on better farm management and realigning their aims and resources to promote their products to targeted clients at reasonable pricing. Consumer engagement strategies, flexibility in pricing, value-added commodities, and strengthened distribution networks are all being implemented by them to hold their market share. Indian government has also been encouraging investments in agribusiness as a means of promoting efficient food security policies as well as a critical source of economic growth. Good agricultural practices, prescriptive agronomic suggestions, data-based farming, and other precision farming applications have received special attention. The purpose of this paper is to identify some of the key shifts, trends and challenges, as well as their influence on agriculture and agribusiness development.

Trends and Strategies to Strengthen Agribusiness

Changing demand as a result of increasing incomes, globalization, and increased health consciousness had affected and will continue to have an impact on consumption of agricultural commodities. Consumers are trying to alter and diversify their diet by including more proteins, fresh fruits and vegetables, and a variety of fats. Farmers should produce according to the tastes and preferences of market consumers rather than what they are best at. To enhance growth of agribusiness sector, factors such as production cost, yield, technology, diversity, product demand, and marketing tactics should be effectively managed. The demand for processed, affordable, high-quality food will continue to rise. A considerable reorganization of the agricultural value chain had emerged from focus on fresh and processed food marketing. To ensure full capacity utilization of their facilities, large processors with large processing units require predictable and regular supply. Working with a limited number of large suppliers who adhere to specific production schedules would satisfy this criterion.

Cost-effective production of innovative products, improved seeds, fertilizers, plant protection chemicals, specialized/customized agricultural machinery, and animal feed will enhance competition among private agribusiness enterprises. Disease-resistant, climate-resilient, and more nutritious crop varieties will be required due to changing climatic conditions. For accurate application of inputs, artificial intelligence will be the key, and sensors and drones will be employed for efficiency, quality, and the environment in a cost-effective manner. With the support of private players and Farmer Producer Organizations (FPO), small and marginal farmers will have access to these technologies.

India's internet connectivity has substantially increased, and market access has become easier and more accessible. By 2025, the number of internet users is expected to rise to 666.4 million and these digital technologies will be used by the government to increase awareness of farmers on different programs and subsidies, as well as to disseminate information and knowledge. Increased number of niche marketers manufacturing crop specific small equipment and machineries, will make operations even in smaller farms easier and efficient.

Food waste will be reduced, and agriculture will make greater use of these by-products. Number of warehouses in the private sector will increase, as well as the linkage between government and private warehouses will be strengthened. This will enable the balance of supply and demand of agricultural commodities in the market, thereby stabilizing price of the commodities. Also, value addition at primary level (farmer level) will increase, creating more value to the commodities and increase farmer profit.

Agriculture retailing will be substantially digitalized. According to a research, by 2025, more than 90% of kirana stores in the nation would be digitalized, with efficient traceable logistics and a transparent supply chain. Process control allows management of food and food system characteristics that are not inherent in the products they supply. Steps to maintain traceability should be included in process controls. Traceability provides a link between a specific product and the operations that led to its development farther down the supply chain. It is an approach that ensures that certain foods were sourced from accredited farms and processing facilities. Market actors have already brought kirana outlets to customers' doorsteps. Large buyers have evolved from being resellers of other manufacturers to becoming suppliers of commodities that their consumers are in need for. Product innovation and development, branding, supplier selection, and distribution are all becoming increasingly important to them (Dobson et al., 2003).

Knowledge on modern technical and scientific possibilities, production patterns, product areas and flows, distribution and logistics, market and customers are all significant in improving competence and expanding agribusiness horizons. Establishment of community access points and the use of management information systems (MIS) and information and communication technology (ICT) applications enable easy availability and usage of required information to all end users, with a focus on linking agricultural universities and colleges, scientific and research organizations, as well as the state and central government departments with end users.

Challenges in Agriculture and Agri-Business Development

Some of the problems faced by the agribusiness sector include improving agricultural productivity to satisfy increasing demand, mitigating climate change, reducing poverty, and enhancing income-earning possibilities in rural parts of the country. One of the primary difficulties is the rising consumer demand owing to population expansion and higher calorie intake. An increasing rural-urban divide is being created by developing economies. Urban consumers' dietary tastes and preferences, and lifestyle choices are not linked to the issues confronted by the farmers in producing high-quality food. As a consequence of factors such as urbanization, greater female participation rates, rising income, and changes in consumer spending patterns; consumer demand and market structures are dramatically evolving. It is possible to cut transaction costs, boost profit margins, rationalise processes, gain economies of scale, and shorten the stages between production and consumption by proper management of the supply chain. Collaboration and partnership between manufacturers, distributors, retailers, and customers can help gain a competitive advantage (Asif et al., 2012).

Weather uncertainty, water scarcity, and land degradation are all some of the growing environmental stress factors that challenge the industry. Producers are currently dealing with all these drastic environmental changes and growing more from less has become a need, as a result of these rising environmental stressors along with growth in population and rising calorie consumption. Agribusiness industry must encourage and assist producers in ensuring food security in an environment friendly manner, implying usage of fewer resources while conserving the resources and benefiting rural population livelihood.

Standardized products, minimal involvement of the intermediaries, and bulking of produce highlight changes in the agribusiness value chain towards a more dynamic agricultural products. The concern is that emerging value chain demands product customization, regulatory compliance, and chain coordination that adds up as a challenge. This will result in diminished small farmer cost and will require competencies that they cannot deliver. If these requirements are fulfilled, then small farmers can enjoy benefits like better pricing, more consistent demand, and internal technical support and assistance along the chain.

Vertical coordination in agricultural value chains has resulted in a greater understanding of the potential role of value chain links in knowledge flow and supplier upgrading. This will bring buyers and sellers closer together, as well as create opportunity for private sector knowledge transfer that provides up-to-date and pertinent information to producers, processors, and exporters in the country. This quickly changing nature of agribusiness marketplace indicates that knowledge requirements for both products and processes are constantly changing and that producers and manufacturers should be updated.

Traditional marketing avenues for fresh fruit continue to be significant. Traditional marketing channels need improvements in their efficiency, which might quickly overshadow any possible gain. Small farmer promotion will be enhanced by identifying niche product potential, particularly those that are not distributed via large retail outlets. This necessitates the product's identity and distinctiveness being sustained as it moves through the value chain and it is for this individuality that it is sold to the consumer.

Apart from the direct influences on production, availability and quality of associated activities are becoming increasingly problematic. Large-scale manufacturers with adequate finances have been able to get these services privately in many circumstances, while smaller producers, on the other hand, lack access to current technology and loans, which are extremely important in production, particularly for horticultural commodities (Valdes, 1994).

Smallholder agriculture confronts with challenges also in engaging in output markets, in addition to production-related difficulties. Remote areas, poor transportation, limited amounts of inconsistent quality production, and lack of market awareness tends to limit effective marketing. While this may protect companies from external competition, it also effectively restricts the demand for their products and, as a result, the profits they make. As a result, a private buyer will only invest in long-distance purchasing transactions if expenses can be passed on to the producer through a lower paid price. These concerns, taken together, suggest that smallholder agriculture has unique challenges in meeting the output and income target (Stanton, 2000).

Logistics are a vital driver of competitiveness and long-term economic development as they connect every link in the food value chain. Emerging markets, on the other hand, have insufficient logistics systems, relying on value chains that are unable to monitor and manage quantity, quality, or timeliness. Between the time of production and the time of consumption, it is estimated that a third to half of the produce becomes waste. Perishable fruits and vegetables, as well as livestock products, suffer the worst due to this reason.

Conclusions

Agricultural development strategies will need to account for the fast changing structure of the agribusiness value chain, identifying differences in buyers and markets, and aim to match producer's capacities to market requirements. Initiatives to improve the capacities of small farmers should be undertaken and supported by the major players along the value chain. It has also been evident that alternate markets are to be identified and for this focus should be shifted from just production to production complemented by efficient marketing, and large-scale farming is a pre-requisite. Improved value chain coordination has resulted from the pursuit of product diversity, higher quality, delivery dependability, new product differentiation, and enhanced management of hazards related to product safety. As a result, transfer of resources, information and commodities along the chain has become more complicated.

Faster delivery aided by better and more accessible roads and rail, as well as the warehouse component of a well-developed cold chain for transporting frozen meat and perishable fruits and vegetables is another potential area for public-private collaborations. Facilitating private investment associated with international and local enterprises that provide access to overseas markets, new technology, and significant management knowledge are examples of

alternatives. Despite government participation in marketing development programs, agricultural product marketing system has had significant flaws, with farmers bearing the brunt of these flaws. As a result, the transition from agriculture to agribusiness is critical for the revitalization of Indian agriculture.

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