

Agribusiness Industries Development in India: Opportunities, Challenges and Way Forward

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ABSTRACT

Agri- based industry primarily concerned with agriculture and business activities related to allied sector. Agro based industries involved in the production, processing, marketing and transportation of agricultural produce. Agribusiness activities covers a variety of industrial manufacturing and processing activities based on agricultural raw materials as also activities and services that go as inputs to agriculture. Agriculture can be transformed into more attractive from passive stage and can create huge employment opportunities through forward and backward linkage by development of agri-based industries and agribusiness. Under this paper an attempt was made to explore the various opportunities offered by agro-based industries. Agri-based industries can play a very significant role in generation of various employment opportunities for rural youth in villages itself and has lot of potential to contribute and enhance rural income which consequently helps in improving standard of living of rural people and also helps in checking the migration of rural youth from rural areas to urban centers. There is need to review the above mentioned situation of agribusiness sector or industries based on agriculture in totality and present it from comprehensive perspective which include detailed analysis from production to marketing aspects of agroindustry and alleviate the constraints faced by agro-industries.

Key words: Agribusiness, Food security, Food processing, Agri-based Industries

The industry which concerned with production, processing, marketing, distribution and exports/ imports of agricultural produce is termed as Agribusiness industry. Agri-business explores production, marketing and processing opportunities in area of agriculture and allied sector such as horticulture, forestry, fishery, livestock etc. It also covers improved growing techniques, agricultural machinery, fertilizer, pesticides pre and post-harvest handling, storage, transportation, packaging and labeling of agricultural products (Bairwa and Kushwaha 2015). The Agro Industry means units which add value to agricultural products /intermediates/ residues, both food and non-food, by processing into products, which are marketable or usable or edible or by improving storability or by providing the link from farm to the market or part thereof (Gandhi *et al.* 2001, Kumar *et al.* 2014).

The term agribusiness industry includes not only the farm itself but also the entire chain of agriculture related business including seed supply, food processing, machinery (Bairwa *et al.* 2014a). As per the report of some international organization development of agribusiness industries will helps in accelerating the rate diversification

and commercialization of agriculture in the country which in turn will be helpful in increasing the income of farmers, creating food surplus and reducing rural poverty (UNIDO 2013). Agribusiness Industry can be categorized in several way but widely it is grouped under categories that is of following. Industries which are involved in making papad, pickle, biscuits, candles etc are comes under village industries. Village industries are comprises of those that are run with very little machinery, do not require large capital investment and largely dependent on manual labour for the manufacturing of the agro products. Second category is of small scale industries which required to medium level of capital investment, use machinery for the production and manufacturing of the agro-produce. Small agro-produce processing units like rice mill, oil mill, wheat mill comes under small scale industries. Third type of industries is large scale industries which require large scale investments, management, specialization and extreme levels of automation producing commodities like jute, sugar and cotton products (Bairwa *et al.* 2012, Kumar *et al.* 2014).

Scope and opportunities of agribusiness sector in India

India's population is increasing day by day and in order to feed the nation and ensure food security, country would require to increase food production. As per the report India's food production would increase to two fold in next coming ten years which will presents ample opportunity for the growth and development of the agribusiness and agro based industries in the country. Thus, coming years is presenting huge opportunities for investments in food and food-processing technologies, equipment's, dairy and food processing, specialty processing, packaging, cold chains and food retailing. Market forces and the prevailing economic environment favour for improving and up gradation of small scale industries and more down-sizing and of large-scale processing. This kind of situation is prevailing because of fact that the demand of large scale manufacturers for raw materials is presently not being met as a result of this enterprises are producing or operating below its actual capacity which is causing inefficiency in the system (Bairwa *et al.* 2014b). Agro industry opportunities in India currently tend to favour growth and development of medium scale industries that match the current production levels and the distortions in marketing of produce (Chandrasekhar and Durga 2007). Thus it is clearly being observed the actual potential for the development of agribusiness or agro based industrialization, especially labour intensive industrialization, is truly enormous (Srivastava and Patel 1994, Bahal 2008). Since last few years government of India is making some serious efforts for the attracting investment and promoting, encouraging agro industries and other agri-related venture through introducing programmes, favorable policies and scheme and simultaneously ensuring their smooth and fast implementation. Through promoting and developing agribusiness industries government wish to offer various opportunities of employment to the people living in rural areas there in the villages itself. Later as a result of this rural people income will get improve and consequently living of standard of rural people will also improve and development of agribusiness opportunities will also help in curbing the problem of migration of rural youth from villages to cities which increasing pressure on urban infrastructure.

In many developed countries, the strategy of food processing and agro industry was focused essentially on increasing farmers' incomes without a focus on generating rural employment (Srivastava 1989). In a labour surplus economy like India, Government need solutions that increase producers' incomes but also generate new employment opportunities (George and Bhaskaran 2004). As Prime Minister of India in his addresses at Global Agro Industries Forum, 2008 stressed upon the generation of new employment opportunities besides offering solutions to promoting producers income through development of food processing industries. As we all are well aware of the fact about the enormous employment potential offered by agribusiness sector since it employed more than nearly 6 million people and growing with modest rate in last five year plan with nearly 6 percent per annum. Today it is being possible to ensure food supply to remote areas of the country

as a result of huge leap in developments in preserving and storing technology of food and food products, transport technology, ICT and others relevant areas. After globalization many Indian and foreign companies made huge investment and bring new innovation and technological breakthrough which resulted in fast growth of agribusiness sector. Now over the period of time some of the Indian companies associated with agribusiness sector also making global footprint which is very good. So therefore it is being felt absolutely needed to make a huge investment in development of marketing, physical and social infrastructure for the increased rate of agribusiness development sector. According to NAAS report (2006) investment opportunities exist for the investors in the production, processing, marketing, infrastructure, retailing, contract farming and supply chain management.

Major challenges in development of agribusiness sector in India

Like any other sector of the economy agribusiness sector is also suffering with some of the structural, policy and institutional weakness. These constraints needs to be suitably and timely sort out so that full potential of this sector can be realized. Agribusiness sector is witnessing the lack of efficiency, competence and skilled workforce and various others factors which is causing mismanagement and that is proving detrimental for the growth and development of agribusiness sector in the country. Industrial sickness, managerial problems, marketing problems, quality control, infrastructural problems and financial crunch are some major hurdles in the path of successful running and achievements of an industry (UNIDO 2013). These problems prevails in Indian agribusiness sector and many industrial unit facing this and somehow working on mechanism to deal with it. As for as managerial problems and issues are concerned availability of labour problem and production problem creates major problems in smoothly and effectively running the enterprises. Failure of industries to innovate new and more efficient way of manufacturing produce leads Industrial sickness which is resulting into closing of the many industrial units. Besides this yet another prominent problems issues related with quality control and quality management since it played very significant role in determining the value and credibility of the product which affects the marketability of the product. Industries are continually dealing with the problems and constraint like non-availability of power, raw material, financing, marketing of products and constructions which have been posing big challenges for establishing, managing, smooth running and development of agro based industries in the country (Basu 2007). Indian Agri industry is mostly faced with formidable problems of shortage of raw materials, lack of research, proper management and acute dearth of funds (Hans 2006). In the present situation, as the agricultural produce moves from producers to consumers, more than 75% consume by end user through various retail and wholesale network leaving out just 3 per cent and 17 per cent to the processing and the export sector. Therefore

forementioned situation presents enormous opportunity for food processing, marketing and exports sector. Serious efforts needed to be made in for providing better entrepreneurial ecosystem through taking some concrete steps which will encourage existing and new player to come and invest in both area i.e. food processing and export sector. Management of agribusiness sector is no different from the management of the large business organization. Basic management principles and managerial function and issues are almost same in agribusiness sector as follows in large organization. In order to run and manage agribusiness organization effectively and efficiently owner should have good managerial and leadership skill. He should be able to coordinate the functions of purchasing, production, marketing and financing etc. Lack of skilled and trained personnel has been a major concern of Indian agribusiness industries. In fact, the lack of skilled personnel has been an important hurdle in the development of Agribusiness industry. Small agro firms cannot afford to training and developing specialized staff of their own. Therefore, these agri organizations have a necessarily need for some trained and professional managers for the growth and development of business (Chadha and Gulati 2007). So therefore it is necessary to overcome these constraints and challenges so that the growth and development of agribusiness industries can take place which will also helpful in growth of rural economy. There are some major problems in the way of agribusiness development:

Unavailability of adequate material and power

There is acute shortage of basic raw materials required by agro units. These units are under a handicap in obtaining raw material of requisite quality of reasonable prices. Agro industries are also facing the interrupted supply of power which is resulting into underutilization of agro-plant unit capacity.

Lack of adequate credit facilities and institutional support

Any business enterprise requires some initial investment in order to meet their fixed capital and working capital requirement. Because of lack of robust financial infrastructure agribusiness industries units are unable to have sufficient funds to procure machinery, raw material, equipment's and daily requirements. So inadequate provision of the credits facility and financial supports system affects the growth, development and expansion of agribusiness unit. Sometimes, small agribusinesses units have to close down or curtail their operations due to shortage or lack of funds.

Ineffective and old technology

Large number of agribusiness units in our country are still using old and outdated machinery and technology which is causing inefficiency consequently resulting into high cost of the product. Due to financial constraints and unfamiliarity with new technological knowhow and expertise majority of the agro industries units cannot afford latest and costly machines and equipment's. Use of Technical and ICT tools

are most beneficial factors for smooth running of any business organizations in this most competitive and challengeable era.

Lack of proper marketing infrastructure and facilities

An agri business unit has to face several difficulties in the marketing and distribution of agricultural products because they have not their own marketing network. Agro based industries cannot afford to spend much more on advertising, transportation and other promotion activities for good marketing of their products.

Lack of strong organization and ineffective management

Agri business enterprises are in general owned and managed by such people who does not have professional knowledge, required skills and expertise for the effective and efficient management of the enterprise which acts as major hurdle in smooth running of the agribusiness unit. Usually we found many managerial issues, role conflict in organization due to lack of clear division of labour and single line of command which affects labour productivity.

Lack of skilled and well trained personnel

In agribusiness industry, there is lack of such personnel in organization who is possess the motivation and competence to make a project viable and successful. It has been experienced that agribusiness firms find it difficult to recruit, train and motivate new and well trained employ which is very critical for the survival of agro based industries.

Lack of coordinated and continuous support of research and development

For smoothly and successfully running a agribusiness enterprise coordinated and continuous support of research and development become very vital and it has been remain a major problems in Indian agribusiness industry. Productive research in production, marketing, planning and distribution of agricultural products are still very far from the agribusiness sector. Very little research is being conducted in order to explore consumer behavior which is very critical for formulating marketing and sales strategies of agricultural products.

Lack of modern infrastructure facilities

Infrastructure in India still not up to the world standards and it is very fundamental for growth and development of agribusiness industry. Inadequate arrangement of transportation, communication, warehouses and other essentials facilities are common hurdles in running a enterprise effectively and efficiently since it add cost in the production and marketing of the agro produce.

Lack of modern machinery

Non availability of modern and technological advanced machinery is another serious problem which creates major hurdles in the smooth production of agribusiness sector in India. It is therefore needed to use modern technology,

machines and technological advanced equipment's facilities for development of any business organization in this competitive era.

Production and marketing problems of agri produce

The choice of products and the techniques adopted for their production, therefore occupies the most important place, in the planning of modern labour intensive agri based industries. Quantities and qualitative production also a major issues in agri industry in India. What to produce, how much to produce and how to produce are the major question in the production process of agricultural business industry in India.

Seasonality and perishability of product

Most of agricultural produce are seasonal in nature. Due to this nature there is no continuous and stability in the supply of primary raw materials, which are the necessary for industrial production process. This is underutilization of the full capacity of the plant/units. For example: fruits and vegetable are seasonal crops.

Ways to exploit the potential of agribusiness in India

The issues facing agriculture and agri-business and solution suggested are as detailed hereunder:

Modernization of existing agri-infrastructure

A lot of post-harvest infrastructure exists in the country both in public (FCI, state warehousing corporation and central warehousing corporation) as well as private domain. In order to enable an organized development of Agri-infrastructure in the country, a Central agri-infrastructure corporation (CAIC) needs to be created by the union government at the central level. The role of CAIC would first be to map the existing infrastructure with respect to the different crops grown in the various districts of the country, with specific emphasis on those districts where crops have to be stored in order to help the farmers realize a better value due to change in prices.

Risk mitigation of agriculture through insurance

The coverage needs to be increased with subsidization of the insurance schemes-both by the State and Central government. Agriculture insurance, like motor insurance should be made mandatory; their settlement made faster (reduced from 1.5 years currently to 40 days) and banks should be asked to bear the insurance burden along with the interest cost. Agricultural universities need to work with AIC to evolve the best possible model, taking the risk away from the farmers. Also, insurance cover needs to be developed for horticulture and fisheries.

High cost of credit delivery to the agriculture sector and absence of linkages

Cost of credit to be lowered by the use of technology and new form of banking structures like business correspondent, outsourced partners and facilitators. Efforts should also be made to strengthen farmer clubs and giving them legal status and involving NGOs/SHGs for developing linkages.

Incentivizing commercial banks to increase credit flow to agriculture sector

To increase the penetration of commercial banks in the rural areas of India, the structural changes are required such as interest subvention to be increased. Rural branches should be provided with at least one Agri graduate in every branch of banks in the country thereby banking industry will be able to equip itself with the necessary skill and also facilitate the welfare of the rural masses, especially farmers.

Agriculture credit guarantee scheme

In order to promote agribusiness growth and development credit support to entrepreneur at initial stage is very critical, and for that purpose we should have a dynamic and robust financial institution and mechanism.

Food processing sector

This sector needs Government encouraging for making the entry of entrepreneurs into the food processing. In India food processing has been unexplored and if we plan well we can be leading exporter of processed foods in the world. Still we are not utilizing the full potential of this sector which can generates lakhs of employment opportunities for skilled youth and also helpful in generating huge amount of foreign reserves.

Export competitiveness

Agro products face the challenge of high freight charges at the international level. The government should adopt aggressive strategy by proving incentives to exporters and removing the constraints and various problems faced by stakeholders.

CONCLUSION

A shift from agriculture to agribusiness 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 fiber. Taking into consideration the ground reality and the existing gaps, a need was felt on behalf of all banks to take over the mantle of bundling investment and technology needed to facilitate the transformation of Indian agriculture into agribusiness by the conceptualization and implementation of integrated supply chain engineering on a globally competitive scale. The study finds that the agribusiness sector can contributes a large share of overall employment as well as value addition and income generation. Indian agribusiness industry has a lot of potential to improve rural incomes, nutrition and social empowerment, and hence is a very critical area for investment. A well-developed industry will enable millions of farmers to capitalize on the emerging opportunities and make a significant impact on rural income and employment generation. There is a need to critically look at how can be

alleviate the constraints faced by the agribusiness sector in the country.

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