

**SY BBA Semester III (CBCS) Pattern 2019**

**Subject Name- Fundamentals of Rural Development**

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**Unit No-3 Agriculture Enterprise & Agro-based industries.**

**Structure**

3.1 Agricultural Entrepreneur- Meaning, Definition and Importance.

3.2 Agri-business Enterprises-Issues and prospectus

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### **3.1 Agricultural Entrepreneur- Meaning, Definition**

#### **AGRI-ENTREPRENEURSHIP**

Investigation suggests that the agricultural sector is comparably more effective in reducing poverty as any other sector. Food prices reduce for poor people by increased crop productivity resultant decreased poverty.

Agri-entrepreneurship in common language can be defined as sustainable, community-oriented, directly-marketed agriculture. Sustainable agriculture refers a system-oriented approach to farming that put emphasis on the interrelationships of social, economic, and environmental processes.

It is the beneficial combination of agriculture and entrepreneurship and convert your farm into an agribusiness. This association of agriculture and business promotes Agri entrepreneurs who innovate, identify markets, and satisfy needs by developing different ways. The term agri-entrepreneurship is similar with entrepreneurship in agriculture and describes agribusiness establishment in agriculture and allied sector (Bairwa et al., 2014a).

Entrepreneurship in agriculture can also be defined as the formation of novel economic organization for the intention of growth under risk and uncertainty in agriculture (Dollinger, 2003). Contrary, Gray (2002) defines an entrepreneur as an individual who controls a business with the purpose of growing the business along with leadership and managerial skills necessary for achieving those goals.

## **NEED AND IMPORTANCE OF AGRI-ENTREPRENEURSHIP**

Traditionally, farmers are ignorant of scientific agriculture and effective agri management systems. Thus, they are unable to deal with delayed monsoons, drought, crop debts, fake seeds and shortage of fertilizer, as a result opt to commit suicide. Hence, the managerial, technical and innovative skills of entrepreneurship applied in the field of agriculture may build a well-trained Agri-entrepreneur who becomes a role model to all such depressed farmers.

Agri-entrepreneurship has the prospect of social and economic development, for example, employment generation, poverty reduction, improvements in nutrition, health and overall food security in the national economy especially in rural areas. In the face of growing unemployment and poverty in rural areas, there is urgency of entrepreneurship in agriculture for more productivity and profitability. Agri-entrepreneurship can be used as chief remedy for the solution of this complexity such as lower the burden of agriculture, produce employment opportunities for rural youth, control migration from rural to urban areas, boost national income, sustain industrial development in rural areas and cut down the pressure on urban cities.

Agri-entrepreneurship program is crucial to build up entrepreneurs and management staff to deal agricultural industry across the world (Bairwa et al. 2014b). Agri-entrepreneurship is greatly affected by the

economic situation, education and culture (Singh, 2013).

Agri-entrepreneurship is important for national economy in following ways (Sah, 2009)-

- 1) Firstly, it helps in achieving productivity profit by small farmers and amalgamating them into local, national and international markets.
- 2) Secondly, it helps in decrease in food costs, and provides high quality diets to the rural and urban poor in the country.
- 3) Thirdly, it accelerates growth, diversifying income and develops entrepreneurial opportunities in both rural and urban areas

## **3.2 Agri-business Enterprises-Issues and prospectus**

### **Agri-business Enterprises prospectus**

Due to globalization of trade and agriculture and the policy reforms at national level, the scope and opportunities in the agri-entrepreneurship have significantly expanded, leading to an extraordinary business interest in this sector. The world wonders and hopeful for the fast-growing Indian rural market, which is crucial for building corporate growth strategy in the country. According to surveys, total rural market in India is larger than urban market.

Agribusiness has offered a large number of prospects for value addition, packaging, retailing, and exports of agricultural products with advance technology and management. A large part of Indian population is reliant on agriculture and this area

also supplies raw material for different industries. Agribusiness is most likely to control the progressive growth of Indian economy. In present scenario, about one fourth of our fruits and vegetables are getting spoiled before reaching to the consumer, due to lack of adequate infrastructure. However, due to rapid shift in the nature of agribusiness, demand for competent and dynamic professionals has developed multiple times from last few years. Since policy reforms are introduced by the WTO regime, the scope and opportunity in the agribusiness has been increased. A huge number of opportunities have opened in the industries like packaging, supply of raw material, processed agri-food manufacture, export of agricultural products and other allied fields. Rising of micro financing, relaxed government regulations, accessibility to high technology, guidance and workshops on agri and related areas have changing outlook of highly skilled personnel and resultant they are opting for self employment in agriculture, mounting the agri entrepreneurship's prospective in India (Bairwa et al., 2014a). Pandey (2013) suggests numerous areas of entrepreneurship in agriculture which include dairying, sericulture, goat rearing, rabbit rearing, floriculture, fisheries, shrimp farming, sheep rearing, vegetable cultivation, nursery farming and farm forestry.

### **Opportunities of entrepreneurship in agriculture are: -**

i) Agro produce processing units – Here no manufacture of any new product done and simply the processing of the agriculture produce occurs Example- rice mills, dal mills, decorticating mills etc.

ii) Agro Produce manufacturing units - Here the entirely new products produced based on the agricultural produce as the main raw material.

Example- sugar factories, bakery, straw board units etc.

iii) Agro-inputs manufacturing units - Here production of goods done either for mechanization of agriculture or for increasing

manufacturing plants, Example- fertilizer production units, food processing units, agricultural implements etc.

iv) Agro service centres -These comprise the workshops and service centre for repairing and serving the agricultural implement used in agriculture.

v) Miscellaneous areas - Moreover, the following areas may be hopeful to establish agri enterprises like setting up of Apiaries, feed processing units, seed processing units, mushroom production units, commercial vermin-compose units, goat rearing farmers club, organic vegetable and fruits retail outlet, bamboo plantation and jatropha cultivation.

Bansal (2011) has proposed some entrepreneurial areas in agriculture-

I. Farming- Crop, dairy/poultry/goat, fish, rabbit, vegetables, flowers, ornamental plants, palmtops, fodder, sericulture, agro-forestry, beekeeping, mushroom.

II. Product Marketing- Wholesale, retail, commission agent, transport, export, finance, storage, consultancy.

III. Inputs Marketing- Fertilizer, agricultural chemicals, seeds, machineries, animal feed, poultry hatchery, vet medicines, landscaping, agriculture credit, custom service, bio-control units, bio-tech units.

IV. Processing- Milk, fruits, vegetables, paddy, sugarcane, , cashew, coir, poultry, cattle, tannery, brewery.

V. Facilitative- Research and development, marketing information, quality control, insurance, energy.

### **SCOPE FOR AGRI-ENTREPRENEURSHIP IN INDIA**

Bansal (2011) presented a detailed account regarding the scope of Agri entrepreneurship in India

1. India is gifted with diverse ago-climate, which assists production of temperate, sub- tropical and tropical agricultural produce.

2. Demand for agricultural inputs like feed and fodder, inorganic fertilizers, bio-fertilizers have increased.

3. Applications of biotechnology in agriculture is boon for production of seed, bio- control agents, industrial harnessing of microbes for different products.

4. Economic growth will be enhanced by harnessing the export. According to World Trade Organization (WTO), India has immense potential to recuperate its present position in the World trade of both raw and processed form of agricultural commodities. 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.

5. Large coastal line and internal water courses should be utilized for production of marine and inland fish. Ornamental fish culture already gaining popularity due to growing aesthetic value among the citizens of India.

6. The livestock wealth provides vast scope for production of meat, milk and milk products, poultry products etc.

7. The forest resources can be utilized for production of forestry byproducts.

8. Beekeeping and apiary can be taken up on great extent in India.

9. By improving technique of production, enhancement in domestic consumption and export of mushroom production can be done.

10. The farmers should be encouraged and educated for organic farming as 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.

11. Huge opportunities for production and promotion of bio-pesticides and bio-control agents for protection of crops.

12. Due to plateauing in the productivity of high yielding varieties; seeds, hybrid and genetically modified crops have the highest potential in India in the future.



13. Owing to declining groundwater level and labor scarcity for agricultural operations like weeding, transplanting and harvesting, micro-irrigation systems and labor saving farm equipments have potential in coming years.

14. Production of vegetables and flowers under green house conditions can be harnessed for the export.

15. Trained human resources in agriculture and allied sciences will acquire on agricultural extension system due to deteriorating state finance resources and down-sizing the present government agricultural extension staff as consulting services.

16. Lastly, employment opportunities have increased in marketing, transport, cold storage and warehousing facilities, credit, insurance and logistic support services because of enhanced agricultural production.

## **PROBLEMS TO AGRI-ENTREPRENEURSHIP DEVELOPMENT**

From the viewpoint of Uplonkar and Biradar (2015), Agri entrepreneurship development is necessary for improving the production and productivity. Despite of the fact, the rate of attainment is extremely low in India due to following reasons-

1. Agriculture is largely a means of livelihood for most of the farmers. It is difficult for the uneducated small owner to turn their farming into an enterprise due to lack of adequate information, capital, technology and connectivity with the market.

2. There is a need to create consciousness among the farmers about the benefits of these services as they are unaware about it.

3. The free service provided by the Government organizations for promotion of services should be discontinued. As lots of farmers, especially the politically associated leaders feel that the government is liable for providing extension and technical advisory services to the farmers. In addition, the services of these organizations do not reach to small farmers, particularly those living in distant areas. This concept of free service makes the farmers reluctant to avail compensated services offered by the local self-employed technicians.

4. There is need of regular back up services for self-employed technicians, contact with the marketing agencies, suppliers and research stations who are involved in the development of modern technologies.

5. They have to face several legal restrictions and obstacles and private traders involved in such business generally ignore these rules and disturb the fair-trade environment.

6. Lastly, Organizations feels risk in making heavy investments and implementing modern technologies which affect the profitability. Thus, resultant farmer members lose interest in their own enterprises as well as in that of their leaders.

### **3.3 Micro-financing**

What is microfinance?

Microfinance is the extension of small loans to the very poor, in combination with other financial services, such as savings accounts, training, health services, networking, and peer support. This allows them to pursue entrepreneurial projects that generate extra income, thus helping them to better provide for themselves and their families.

In this way, microfinance allows families to work to end their own poverty – with dignity. Microfinance programs around the world, using a variety of models, have shown that poor people achieve strong repayment records – often higher than those of conventional borrowers. Repayment rates are high because, through a system of peer support used in many microcredit models, borrowers are responsible for each other's success and ensure that every member of the group is able to pay back their loans.

### **How Microfinancing Works**

Microfinance, pioneered by the Nobel-Prize winner Muhammad Yunus, helps the financially marginalized by providing them with the necessary capital to start a business and work toward financial independence.<sup>1</sup> These loans are significant because they are given even though the borrower has no collateral. However, the interest rates for these microloans are often very high due to the risk of default.<sup>2</sup>

The term microfinance encompasses microloans, micro-savings, and micro insurance. Microfinance institutions provide small

loans and other resources to business owners and entrepreneurs to help them get their businesses off the ground. Many of the recipients are in developing countries, and could otherwise not obtain a traditional loan.<sup>3</sup>

Micro-savings accounts are also under the microfinance umbrella. They allow entrepreneurs to have a savings account with no minimum balance.<sup>4</sup> And microinsurance provides these borrowers with insurance, at a lower rate, and with lesser premiums.<sup>5</sup>

### **Why Is It Important?**

Microfinance is important because it provides resources and access to capital to the financially underserved, such as those who are unable to get checking accounts, lines of credit, or loans from traditional banks.

Without microfinance, these groups may have to resort to using loans or payday advances with extremely high-interest rates or even borrow money from family and friends. Microfinance helps them invest in their businesses, and as a result, invest in themselves.

### **3.4 Food and Agricultural Marketing and Management of agro products.**

Refer suggested book pdf.

### **3.5 Agro-based industries**

#### **Meaning-**

Agribusiness denotes the collective business activities that are performed from farm to fork. It covers the supply of agricultural inputs, the production and transformation of agricultural products and their distribution to final consumers. Agribusiness is one of the main generators of employment and income worldwide.

Agribusiness is characterized by raw materials that are mostly perishable, variable in quality and not regularly available. The sector is subject to stringent regulatory controls on consumer safety, product quality and environmental protection. Traditional production and distribution methods are being replaced by more closely coordinated and better planned linkages between agribusiness firms, farmers, retailers and others in the supply chains.

#### **IMPORTANCE**

Establishment of agro-based industries is based on the availability of raw material.

- Agro-based industries have to set up at rural areas where raw material may be available in plenty – helps in the up-liftment of the rural economy.
- Provide rural population an opportunity for employment.

- Generate income and thereby improve economic condition of people – which in turn creates potential for demand based industries.
- Provide an opportunity for the dispersal of industries instead of concentrating at a particular place.
- Solve the problem of exploitation of farming community by traders and middlemen.
- Farmers could be assured of better price for their produce.
- Encourage to bring more and more areas under various crops – increase agricultural production and improve nation's economy.
- Transportation cost of agricultural products can be minimized – thereby help to minimize cost of finished goods.
- Avoid wastage of perishable agricultural products.
- Help to develop backward areas based on their suitability for setting up agro-industries.
- Prevent migration of people from rural to urban areas.

### **Industries are divided into four groups.**

1. Resource based
2. Demand based
3. Skill based
4. Ancillary

Again the resource based industries are divided into agro-based, forest based, animal husbandry and poultry based, mineral based, marine based, etc. Agro-based industries are those industries which have either direct / indirect link with agriculture. Industries which are based on agricultural produce

and industries which support agriculture come under agro-based industries.

## **TYPES OF AGRO-BASED INDUSTRIES**

There are four types of agro-based industries.

### **1. Agro-produce processing units**

They merely process the raw material so that it can be preserved and transported at cheaper cost. No new product is manufactured. Ex: Rice mills, Dal mills, etc.

### **2. Agro-produce manufacturing units**

Manufacture entirely new products. Finished goods will be entirely different from its original raw material. Ex: Sugar factories, bakery, solvent extraction units, textile mills, etc.

### **3. Agro-inputs manufacturing units**

Industrial units which produce goods either for mechanization of agriculture or for increasing productivity come under this type. Ex: Agricultural implements, seed industries, pumpset, fertilizer and pesticide units, etc.

### **4. Agro service centres**

Agro service centres are workshops and service centres which are engaged in repairing and servicing of pumpsets, diesel engines, tractors and all types of farm equipment.

## **NEED FOR AGRO-BASED INDUSTRIES**

- Suitable to rural areas as they are raw material oriented.
- For upliftment of rural economy.
- To solve the problem of unemployment.
- To generate income and increase standard of living.
- For decentralization and dispersal of industries.
- To reduce disparity between rural and urban areas.
- To encourage balanced growth between agriculture and industry.
- To solve the problem of exploitation of farming community.
- To reduce transportation costs.
- To give big push to agriculture and act as a source of demand and supply.
- To avoid wastage of perishable agricultural products.
- To prevent migration of rural people.
- To develop suitable backward areas.
- To improve infrastructural facilities.

## **INSTITUTIONAL ARRANGEMENTS FOR PROMOTION OF AGRO BASED INDUSTRIES**

Following Ministries & Departments at the Centre and State level are at present looking after development of agro based industries.



1. **Ministry of Agriculture:** Deals with rice mills, oil mills, sugar mills, bakeries, cold storage, etc.
2. **Khadi and village industries board:** Covers traditional agro based industries like “gur”, handicrafts, khandasari, etc.
3. **Director General of Trade and Development:** Looks after the industries engaged in the manufacture of tractors, power tillers, diesel engines, pump sets, etc.
4. **Agro-industries Development Corporation:** In each state mainly supply agricultural machinery, inputs and agricultural advisory services to farmers. Some corporations have also undertaken certain manufacturing activities in agro-industries sector.
5. **Small Industry Development Organization:** Deals with small agro-industries like hosiery, processing of food products, beverages, food and fruit preservation, agricultural implements, pesticide formulations, etc.

## **CONSTRAINTS IN ESTABLISHING AGRO BASED INDUSTRIES**

1. Proper guidance is not available to entrepreneurs.
2. It involves some element of risk taking
3. Change in crops / cropping pattern
4. Change in variety of crop due to technological improvement

5. Failure of monsoon may hit the raw material supply.
6. Proper guidance, training for modern and sophisticated agro-industries are not available.
7. As modern small industries are capital intensive, supply of finance will be a considerable problem.
8. Promotional activities such as conducting, intensive campaigns, identifying candidate industries and explaining to entrepreneurs about prospects are inadequate.
9. Uncertainty about future market demands.
10. Absence of information about quantity and quality of market.
11. Multiplicity of agricultural produce and absence of suitable methodology to select best suited industries to a given region.
12. Seasonal supply of agricultural produce may result in under utilization of capacity of the units as the unit will not be working throughout the year. Ex: Sugarcane
13. Industries based on fruits and vegetables may not get the same variety throughout the year, but they may get some other variety.
14. Absence of proper integration among the various agencies of development in the district.