

# A Suggestive Business Model for Agri-Business Sector in India to combat Economic Challenges and Employment Generation

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## ABSTRACT

Agriculture is the backbone of Indian Economy. Indian agriculture sector accounts, 25 per cent of GDP of India and creates employment to 50% of the countries workforce. Total farmers and cultivators population of India is more than 118.7 Million as per 2011 Census report. India is the second largest producer of fruits and vegetables in the world. Due to technological upgradation and availability of various Agricultural input, India has got food deficiency to food sufficiency. With the growth of population in India, an estimated 450 million tonnes of food grains are required by 2030 due to projected population of 150 crores. Scientist, Researchers, Social activist are in continuous task to combat with situation reason being at present food grains production in India is likely 275 million tonnes, otherwise India has to go with begging bowl to bring food from outside countries to tackle with the future food crisis. This Journal paper reflects channelizing Agri-produce to Agri-business Sector with a suggestive Business Model. This business model will function primarily with the Farmers and Agri-entrepreneurs in close co-ordination with Marketing Board and State Functionary.

## 1. Introduction

Indian Economy is called agrarian economy. Just after freedom, the contribution of Agriculture to GDP was likely 51% which reduces to likely 20% as on date due to more contribution from Industry, Service etc. sectors. The benefits of Agriculture to Indian Economy are as follows:

- It provides foods.
- It supplies Industrial Raw materials to 40% Industries like Rice Mill, Dal Mill, Sugar, Tea, and Food processing Industries.
- Solves unemployment problems.
- Fetching Foreign Exchange by exporting Tea, Coffee, meat, hides/skin, fruits.

Due to technological upgradation and availability of various Agricultural input, India has got food deficiency to food sufficiency. But due to huge population blast in India likely 450 million tonnes of food grains is required by 2030 due to estimated population of 150 crores. So all Scientist, researchers, social activist is in continuous task to combat with situation reason being at present food grains production in India is likely 275 million tonnes, otherwise India has to go with begging bowl to bring food from outside countries to tackle with the future food crisis. The one of the major objects of Bank Nationalisation was to remove Sectoral Banking to Social Banking and Class Banking to Mass Banking. Banking Industry has help a lot to the farmers to raise their income from per unit area of land. Present Government is formulating several schemes to provide fiscal incentive to farmers for doubling their income by 2022. Government is giving emphasis on diversification of Agriculture and post harvest technology upgradation.

The production of Agriculture produce is not the end unless it is properly and timely managed and reaches to the consumer in time either in real or modified or value added form.

So backward and forward linkages, transportation, supply chain is very much required through SME venture.

Agricultural Sector plays the highest contribution in employment generation and 31.55 per cent of Rural population after which MSME sector comes in the share lists which is 11.11 crore. Interesting part is that MSME and Agriculture are compliments to each other. Further it reveals that agricultural sector development will only possible when i) Cultivation cost is reduced, ii) Profitable price is ensured iii) Farm waste is minimized and iv) Non farming income sources is increased. On the other hand, this can be attained by a) Managing agricultural land effectively; b) Adoption of scientific agricultural practices; c) Educating farmers on market awareness, grading & pricing for avoiding distress sale; d) Conversion of agricultural produces into value added quality products and (e) Growth of Agri Based Industrial Sector.

## 2. Existing Agro Market Scenario

Market linked business is most essential and advised Model to be most feasible for rural level Agri entrepreneurs. A detail study is conducted for drafting the feasible Model and a team visited various places in West Bengal (Rural Location around Kalyani, Nadia District and Myna block, Purba Medinipur District) for collection of data on cultivation, processing, technology support available, information on local agencies working, credit facility, existing capacity of the Farmer Producers Group, marketing data and prevailing functioning of rural marketing chain. Various issues on marketing of agricultural products are noted in case of i) Vermi compost (agro industrial produce from various green wastes); ii) Fishery (Farm Produce).

The Team also discussed with various farmer Groups for any scope of improvement of marketing and requirement of infrastructure for the growth of the sector. The farmers have

given inputs on technology, soil health, credit facility, capacity building, government support, transport arrangement, mixed farming possibility, scope of development of other agricultural produce and nature of setting up of agro-enterprises in that particular region. These information and information received from various official sites on Agro based enterprises, a draft Model is prepared to link from agri-produce to Agribusiness to reach to the end users. This means how farmer level produce can reach to the customer end with meaningful conversion and value addition. The suggestive models also play a linkage between Agriculture and MSME Sector- to build a solid platform for employment and GDP Contribution.

**3. Challenges On Agro Based Market**

Agricultural marketing system is an efficient way by which the farmers can dispose their surplus produce at a fair and

reasonable price. Improvement in the condition of farmers and their agriculture depends to a large extent on the elaborate arrangements of agricultural marketing. Agricultural marketing comprises all operations involved in the movement of farm produce from the producer to the ultimate consumer. Thus, agricultural marketing includes the operations like collecting, grading, processing, preserving, transportation and financing.

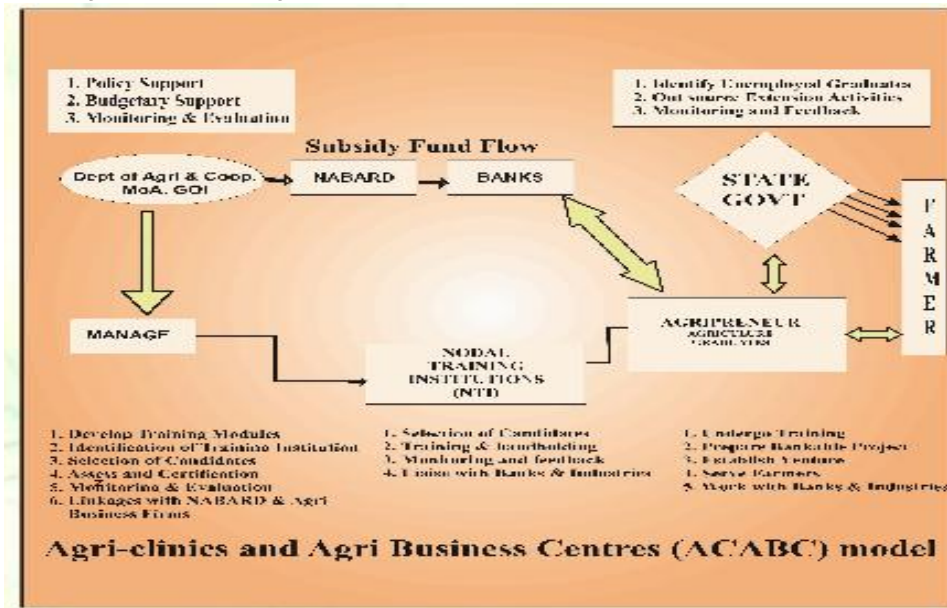
**4. Main Stakeholders In Agro Based Sectors :**

- a) State Agriculture Directorate
- b) State Agriculture Marketing Board
- c) Agro Processing Market Committee (APMC)

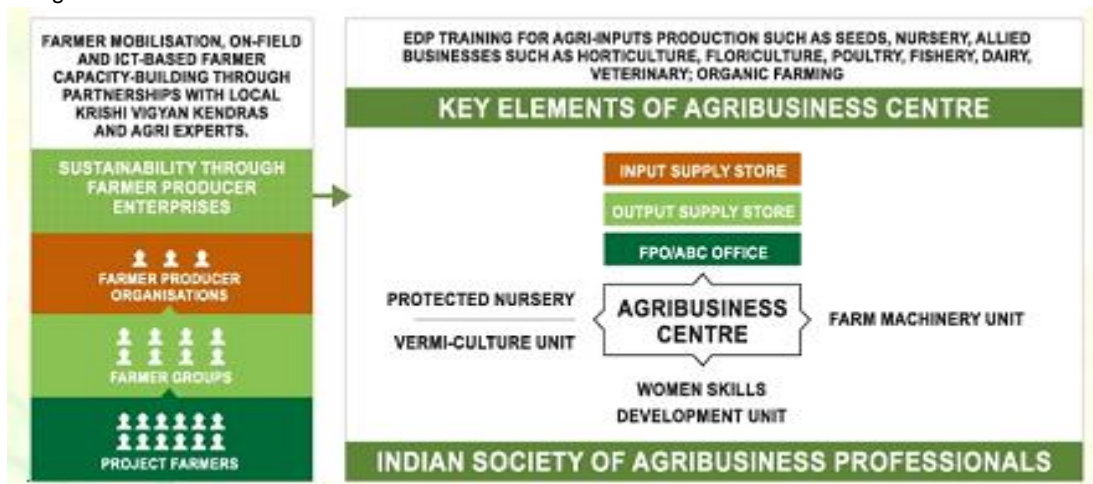
**5. Models In Agricultural Sector**

**A) Existing Functioning Model in Agricultural Sector**

- i) Existing model on Agri-clinics and Agri Business Centers (ACABC)



- ii) Model on Agri Business Centre



Agri Business Centre (ABC) are set up to protect farmers benefit and agri business professionals are linked in this. Somehow large scale farmers are not taking advantages of this model. Enterprise approach and market pricing, market

intelligence, execution of large scale projects has less opportunity in this model.

**B) Proposed Business Model for Agro Based Enterprises for SMEs**

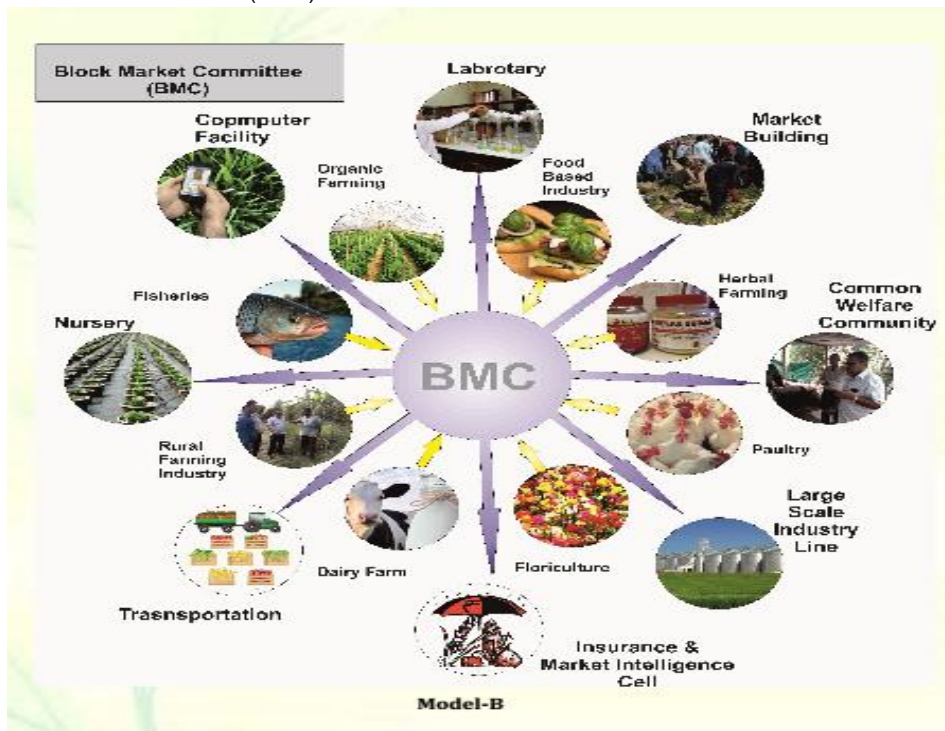
The Proposed Model is considered as three tiered Model at (i) Rural Level (RMC) (ii) Block Level (BMC) (iii) District Level (DMC). The committee constitutes of Famer Producers

(Actors), Members of Marketing Board (Organisers) and Agriculture Department (Facilitators). The centres established in three level will function in Spoke and Hub model (shown in Fig)- Model-A : Rural Market Committee, Model-B : Block Market Committee and Model-C : District Market Committee.

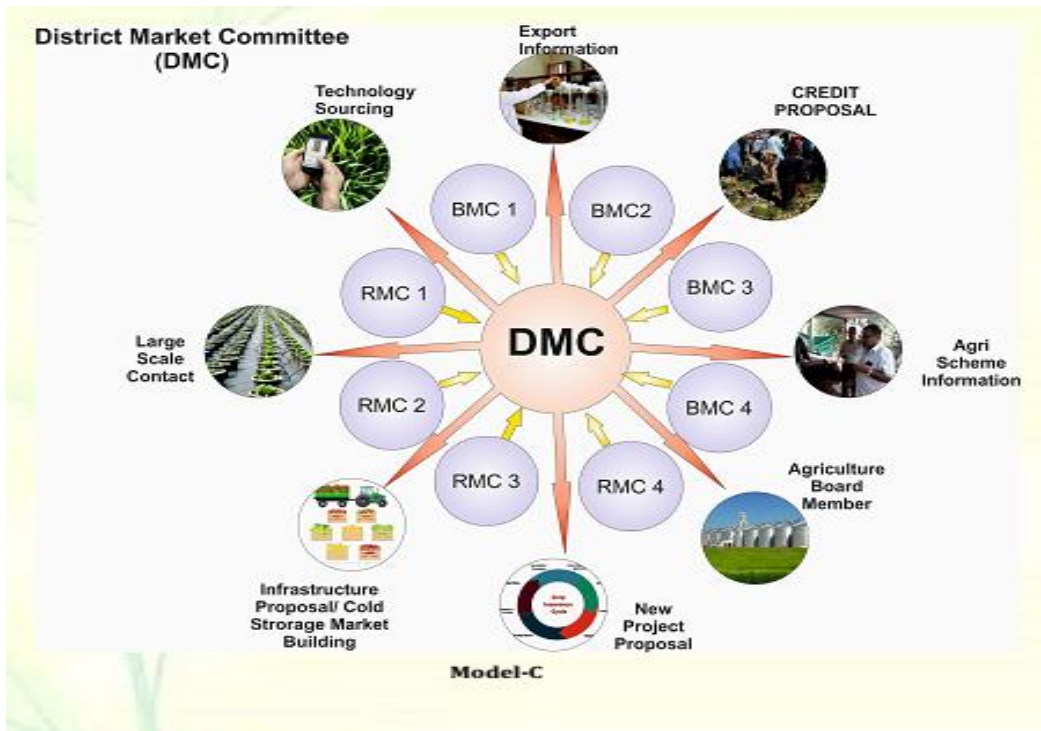
i) Structure of Rural Market Committee (RMC)



ii) Structure of Block Market Committee(BMC)

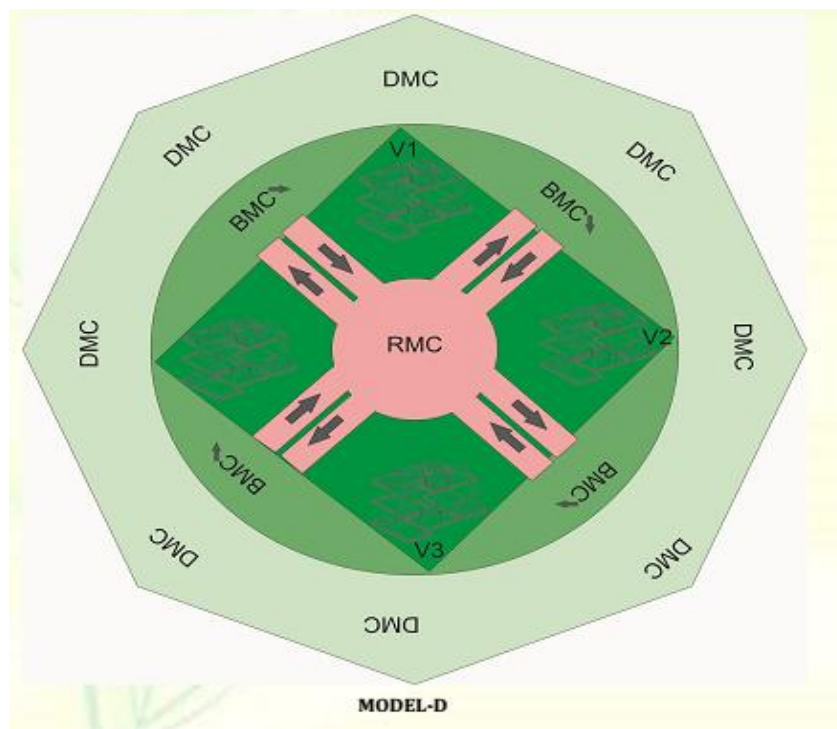


iii) Structure of District Market Committee (DMC)



iv) Structure of Harmonized Market Committee  
 At Apex Level State Market Committee will function as Monitoring and Advisory Committee or Harmonised Market

Committee for taking policy decision and approval. The committee will form with Chairman of State Marketing Board, Director, State Agriculture and Heads of all FPOs (Model-D)



Advantages on proposed model (A-B-C-D): This model will ensure commodity pricing by the state and proper communication to the rural level. Proper utilization of agro produces through appropriate market channel will minimizing waste and distress sale. Agro farming awareness in rural level will secure grading, storage and need of infrastructure requirement. It has been seen in some cases

farmer's requirements are not assessed properly and infrastructure created by Agricultural agencies actually to facilitate has no proper utilization. Also because the rural or block level have not indented this infrastructure. This model will repair this kind of 180 degree communication. Market committee will propose to go for infrastructure like drying yard,

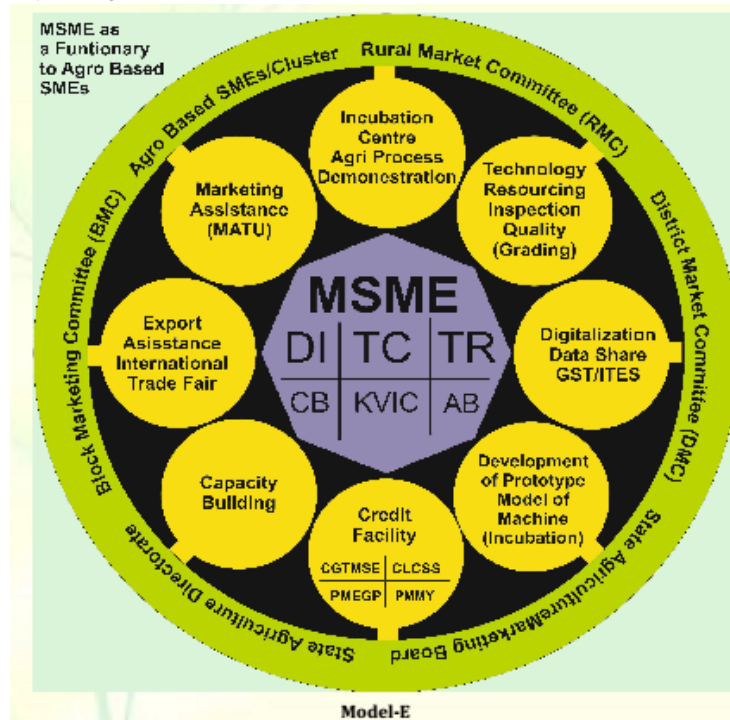
training centre, market building, Information centre, Cold chain facility in a more realistic way.

**C) MSME as a functionary in the proposed Model:**

A similar model (Model-E) can also take role to implement various govt schemes. The Schemes can be roll out in village level as well as State level through various committees as shown in the model. Formation of Agri-Business cluster,

budding up of Agri entrepreneurs at various level and adoption of advance technology will be easier through his model too. Agencies can also easily identify in this working-chain. Flow of Agri-produce to various Market Channel, Value addition with advance technology and adoption of latest marketing model will be easier from MSME intervention.

i) Model for MSME as a functionary for Agro based SMEs



**6. Conclusion:**

Proposed Models (A-B-C-D) has described market strategy of rural produce and how it can be value added to reach to consumer. These models are partly working in few states and in those states the marketing channel is prominent. Once Market is assured by these models, farmers also get encouragement to set up SMEs in this sector, otherwise the discussion on growth on farmer's economy will be futile. Models have structured approach on how government agency will interact with farmer at Rural, Block and District level. Price fixation of various agricultural produce and SME products will be suggested by the RMC, BMC or DMC and will be more realistic approach than fixed by the Government. There will be a close coordination among central, state government and

various Market Committees. The market committees are formed from and within the farmers / SME organizations. Hence, they are the important stake holders, to get feedback of this sector; no formal survey is separately required by outside agency. Every essential data will be stored at Rural, Block and district level to take decision for any govt proposal. District Market Committee has been given more empowerment and made a part of the marketing board. This will encourage opportunity for export market, large scale interaction, globalised and liberalized thinking. Government agency has easy access to District level committee for successful implementation of any large project. Project may be proposed by Block, Rural Committee also.

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