

Indian Agribusiness and Globalisation: Prospects and Challenges

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Abstract

The agricultural sector in India is undergoing a metamorphosis since the economic liberalisation of 1991-92. Globalisation's effects in this sector are showing healthy signs of transition from inhibitive to innovative farming and from subsistence to a sustainable one. The vast changes from traditional farming to hi-tech agribusiness have opened new vistas for socio-economic growth and development in the country. Globalisation of agribusiness paved way for high competition, fast technological changes, mobility of capital and rapid dismantling of barriers in the international tradability of goods and services. All these demand for increasing professionalism in the management of agriculture and allied activities. Agribusiness management therefore aims at developing analytical and cognitive skills of entrepreneurs dealing with agriculture and allied activities on individual as well as on institutional basis. Agribusinessmen are now following better strategies and managerial techniques for value added agriculture to improve quantitatively and qualitatively. The global character of perfectly competitive market demands standardised products, need for reorganisation of input supply to output marketing channels, broadening the vision of agriculture by including both on-farm and off-farm activities. The objectives of this study include: analysis of agribusiness in India from the globalisation perspective, identification of principal areas of agribusiness which need specialised managerial techniques, exploring the prospects of agribusiness in the present time of globalisation, examining the challenges faced by agribusiness in context of globalisation, suggesting measures to improve effectiveness and efficiency in view of changing global scenario. Methodology includes various types of data collected primarily through secondary sources. It includes information collected from studies, reports, books, articles, periodicals and web sites, data from government, non government, national and international organisations. The findings reveal that globalisation has caused developed a more scientific and professional approach towards agribusiness, develop world class infrastructure, boost agricultural growth through diversification, create employment opportunities, increase productivity, enhance quality, better utilisation and strengthening of manpower resources. At the same time, it is not free from challenges like inequalities in the distribution of income among countries and also within countries, loss of national sovereignty, and differential treatment in the matter of trade agreements. Suggestive measures include need to address the socio-economic imbalances particularly at the grass root level, facilitate rapid innovation, reduce bureaucracy by streamlining government procedures to make them more transparent, ensure that Indian agribusinesses are not the victims of unfair trade practices. Good governance in agribusiness is needed to meet the risks, uncertainties and challenges and avoid further crises. It will ensure empowerment, development of infrastructure to improve standard of living and boost economic performance and equity in the agricultural sector.

Keywords: Globalisation, Agribusiness, Agribusiness Management

INTRODUCTION

In the present days of globalisation, privatisation and liberalisation, agriculture is managed by comparatively better skilled manpower and a shift from 'agriculture' to 'agribusinesses' is being viewed as an essential pathway to revitalise and rejuvenate Indian agriculture sector. The Agribusiness Council (ABC) of the US defines "agribusiness" as a broad term encompassing all aspects of agricultural production, processing and distribution. This includes food, forest and fibre production, their by-product utilisation, agricultural chemicals and pharmaceuticals, agricultural finance and trade, agribusiness farm management, agro-environmental considerations, and land development; in short, it means the management of all of the major elements essential to the establishment and operation of efficient agro enterprises. John Davis and Rav Gold Berg both defined agribusiness as the sum total of all operations involved in the manufacture, and distribution of farm supplies; production operations on the farm; and the storage, processing, and distribution of the resulting farm commodities and items. It is, in simple and common parlance, a process and product of applying economics in business and development of agriculture. It engulfs efforts to modernise and diversify agricultural operations using industrial approach and managerial expertise. It is, thus, an umbrella term to bring together agriculture, manufacturing and services for the sake of socio-economic integration and development (Hans). In a nutshell, the broad scope of Agribusiness incorporates management of agricultural input, its processing and output management. Input management covers the management of seeds, feed, fertilizers, pesticides etc. Agri infrastructure includes irrigation; power, and machinery, primary production

includes production of fruits, vegetables, forestry, dairy, livestock etc. Agribusiness also adds value through processing of agricultural products in the form of processed food, beverages, agrichemicals etc. Above all, it encompasses agricultural marketing (storage, distribution, packaging etc), agricultural services (finance, insurance, research and development) and agricultural sciences (agro climate studies, bio technology, disaster management etc) that open new vistas for socio economic growth and development in the field of agriculture and allied sectors in the country.

Role of Agribusiness in India

India possesses one of the most crop yielding lands in the world and has the highest potentials to be the leader in agricultural sector. Agriculture has a major role to play in the country's economy through employment generation for a vast majority, with its share in total employment as high as 58.2%. There is a need for a paradigm shift from subsistence farming to commercial farming. Many changes such as raising productivity through diverse activities rather than pure crop husbandry, resorting to value added agriculture, market reforms, and creation of new capacity in agro services etc should be focused to help and enable farmers to reap the benefits of hi-tech scientific agriculture. Agribusiness can be instrumental in contributing towards growth and development of especially the rural population in India. However, it would take a lot of hard work and time to instill technological innovations, competitiveness and professionalism of cities among the rural and sub-urban masses. The share of agriculture in GDP might decline, but 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 the agriculture as ‘the science and practices of activities relating to production, processing, marketing, distribution and trade of food, feed and fibre’ (Acharya).

Globalisation and Important Reform Measures

There was a very deep and severe crisis in the Indian economy in the mid of 1991. Foreign currency reserves had plummeted to almost \$1 billion; Inflation had hiked to an annual rate of 17 percent; fiscal deficit was very high and had become unsustainable; foreign investors and NRIs had lost confidence in Indian economy and also her economic system and political governance. Capital was draining out of the country and India was close to defaulting on foreign long and short term loans repayment. Along with these bottlenecks at home, many unexpected events swept the economies of nations around the world. These economic compulsions at home and abroad called for a complete overhauling of our economic policies and programmes. Major measures initiated as a part of the privatisation, liberalisation and globalisation strategy in the early 90s included announcement of the devaluation of Indian currency by approximately 20 percent against major currencies in the international foreign exchange market. To make the process of globalisation smooth, privatisation and liberalisation policies were also initiated and encouraged. There was dismantling of the Industrial Licensing Regime and also Foreign Direct Investment (FDI) by M&TNCs was allowed, quantitative restrictions on imports and peak customs tariff were removed (Goyal).

Management Perspective for Agribusiness

Agribusiness management includes study of input supply system, agricultural production system, and output marketing system. Agriculture must adopt a system approach in

order to achieve the goals of increased production, enhanced quality and reduced cost of production. It should be oriented towards understanding the nuances of globalised agriculture and stabilise agricultural production system. (Vijayakumar, op. cit.).

Principal Areas of Agribusiness Requiring Specialised Managerial Techniques

Indian planning and policy makers at national as well as provincial levels need to look at the following aspects so as to boost agribusiness to save the nation and the nationals better in short and long run both.

• Production Management

The success of agribusiness management depends upon how the farmers produce according to the taste and preferences of consumers in the market rather than what they are better at producing. Factors like production cost, yield, technology, diversification, demand for the product, marketing strategies etc should be effectively managed so as to stimulate growth of agribusiness sector. Improved technologies fostering eco-friendly production practices coupled with, developing high yield varieties, all ensure sustainable development in an efficient and effective way. Globalisation in agribusiness gave thrust to diversification in agriculture through development of horticulture, floriculture, sericulture, dairying, livestock, aquaculture etc. A proper link is to be established between agricultural suppliers, farmers and marketing, firms and they need to work in tandem for fruitful results necessary for serving national interest better.

• Input Management

Various resources in the form of land, labour, capital, information and other infrastructural inputs are to be judiciously allocated and

combined together for producing value added outputs of agriculture. Agricultural input includes seeds, fertilizers, herbicides, pesticides, machinery, crop protection, just and honest system credit etc. The input supply sector of agribusiness can be categorised into the manufacturing sector, the distribution sector and the services sector. Input Management should focus on increasing agricultural productivity and raising quality for meeting the increasing and changing demands of the consumers. There should be a positive productivity growth which indicates that the same output can be produced with fewer inputs and lower costs. Rapidly changing markets in global trade has increased the need for bringing innovations and introduction of scientific techniques for managing the agricultural inputs for bringing spontaneous changes in growth and development of agribusiness.

• **Agricultural Marketing**

Agricultural marketing management includes ensuring the smooth flow of agricultural products and services from the point of production to the final customer and subsequently consumer. Agri marketing starts from studying the consumers and ends with satisfying the consumers. Globalisation has led to feeling the need for undertaking extensive research and development activities to understand the varied taste and preferences of consumers. A systematic approach has to be followed for designing, distributing and making available the required products and services at the right time in the right market. It involves a large number of activities from monitoring demand patterns, analysing the consumer behavior, transportation, sorting, grading, refrigeration, packaging, labeling, advertising and processing so as to add value to farm products by creating time, form, place, and possession utility.

• **MIS and ICT**

Knowledge about recent technological and scientific prospects, production patterns, product areas and product flows, distribution and logistics, markets and consumers (at local, state, national and international levels) play a decisive role in developing competence and reaching new horizons of agribusiness. Management Information System (MIS) and Information and Communication Technology (ICT) applications enable easy availability and usage of requisite information to all the end users focusing on village and towns connectivity linking agricultural universities and colleges, scientific and research organisations as also local, state and central government departments with the end users and the establishment of community access points. Management of information and communication technology is a strategic weapon for tackling competitive battles of global era and a key factor in driving the performance of agro sector far ahead.

• **Supply Chain Management**

Competitive advantage can be achieved and quality can be delivered by firms only through the engineering and management of effective supply chains in collaboration with producers, wholesalers, retailers, agents and customers. There should be productive cooperation in purchase, finance, strategic operations, logistics, manufacturing and marketing and sales management areas. A proper supply chain management of agribusiness makes it possible to reduce transaction cost, increase profit margins, rationalise operations, achieve economies of large scale operations and reduce the steps between production and consumption. Gone are the days when marketing used to play secondary role in agriculture and agribusiness. Present time is characterised and known as an era of media and marketing wherein success depends solely

on developing value chains and its publicity besides quality and price.

AGRIBUSINESS AND GLOBALISATION

Indian agricultural sector is undergoing through a renaissance since the economic liberalisation of 1991-92 as it is one of the world's largest and oldest agrarian economies. Agriculture in India is the lifeline of economy and is both a source of livelihood and food security for a vast majority of low income groups and vulnerable sections of the domestic society. Globalisation of Indian agricultural sector is in fact undergoing a sea change and is showing healthy signs of transition from inhibitive to innovative farming and from subsistence to sustainable farming in the whole of India in general and states like Punjab, Haryana, Gujarat, Maharashtra, Karnataka and Kerala in particular. The structural change from traditional farming to hi-tech agribusiness has opened new avenues for overall socioeconomic growth and development in the country. Globalisation involves an integration of various nations or economies through cross country flows of goods, services, technologies, capital, finance, information and human resources. Agriculture at present is being viewed by philosophers and policy makers not just as farming alone but a holistic value chain, consisting of input management, production farming, agri processing, agri infrastructure, agri finance, agri services etc. Agricultural development is bringing about a cumulative growth effect in terms of meeting the growing demands of farm and off farm operations, of rural and urban population, expanding the secondary and tertiary sectors of the economy, widening the markets for industrial produce, earning foreign exchange, stabilising prices and mobilising of resources for capital formation. On the contrary, the global shock in the form of financial crises that emerged from the western countries led to deterioration of world economic

environment significantly. The economic conditions around the globe remain fragile and uncertain. Indian economy is also vulnerable to these global crises and called for an economic rebalance to counter risks. Despite all these factors, there is an ongoing debate whether agrarian based nations can reap from globalisation or is it a manifestation of wide range of adversities of a vast section of population across the globe.

Objectives of the present study

The study has following objectives:

- Analysis of agribusiness in India from the globalisation perspective.
- Identification of principal areas of agribusiness which need specialised managerial techniques.
- Exploring the prospects of agribusiness in the present time of globalization

Indian Agriculture

At the time of Independence, Indian economy was basically a backward agrarian economy. During the planning period, Indian agriculture has passed through various phases, experiencing a lot of policies and measures for raising productivity and contributing to growth. However, the share of agriculture has been persistently declining due to the developments of the secondary and service sectors of the economy. Table: 1 indicates that the service sector remained buoyant with a major share of 57.7% in GDP. Service sector is growing rapidly at the expense of agriculture whose share has been declining over a period of time.

Table: 1 Sector-wise Share of GDP at Constant Price Percentage

Sectors	2018-19	2022-23
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Primary	19.0%	14.0%
Secondary	28.0%	27.0%
Service/Tertiary	53.0%	57.0%

Source: Central Statistics Office, Ministry of Statistics and Programme

Implementation, Govt. of India.

CONCLUSIONS AND SUGGESTIONS

Globalisation has been deemed as the panacea for solving many problems because it is presumed to bring rapid technological innovations, improve quality and standards, promotes competitive spirits etc. However, it is also not free from criticisms in the form of more iniquitous distribution of income, loss of national sovereignty etc. India gained from the LPG model as there has been a growth in the overall GDP upto 2010-11. It broadens the vision of agriculture, but even after globalisation, condition of agriculture has not improved even marginally. The number of landless families has increased and farmers are still committing suicide, besides many starvation death reported in media. India needs to tackle these hurdles and move forward strongly on its path of development. In the dynamic and competitive economy of global era, consumer orientation model that meets the changing needs of the consumers and growing needs of the nation plays a significant role in determining the success of agribusiness. In India, most are small and marginal farmers who are not interested in adopting latest technologies of field mechanisation, seed replacement rate, bio fertilizer application etc, so efforts should be taken to disseminate information and encourage farmers to adopt them. They are extremely industrious and entrepreneurial, they should be provided with a platform to utilise it and improve their life, provide market orientation and market linkages to ensure that they get a greater share of consumers' rupee. India being a country with rich resources and diversities has high potentials to increase its agricultural exports in a globalised world provided it can diversify a significant part of its agriculture in to high value crops and in agro-processing way as well as units. This would depend first on undertaking large infrastructure investment in

agricultural and agro processing as also in rural infrastructure and research and development at micro as well as macro level, with a thrust on rural and sub urban agribusiness growth and development.

- Government should address the socio-economic imbalances and reduce the urban-rural, foreign domestic divide and concentrate on growth oriented agro sectors which will certainly prove fruitful.
- Indian policy makers and planners ought to cut down the budget deficit through proper pricing mechanisms and better direction of subsidies, tax and tariffs. Government should reduce bureaucracies in formulation and implementation of various plans and policies to make them more transparent and reduce trade barriers.
- India needs to focus on more diversification in agriculture, promote scientific farming, give thrust to off-farm activities, develop world class infrastructure in all sectors of economy, allow FDI in more areas etc.
- Setting up agro-processing units and encouraging private public participation, collaborations between producer cooperatives and the corporate sectors etc.
- There needs to be a shift from inhibitive and exploitative agriculture to innovative and experimental agriculture. There should also be better management practices for rehabilitation of degraded lands, water and other scarce resources.
- Special Economic Zones as well as Export Processing Zones that would act as a catalyst in bringing progressive changes in economic development of the nation and protects the genuine interest of Indian farmers.

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