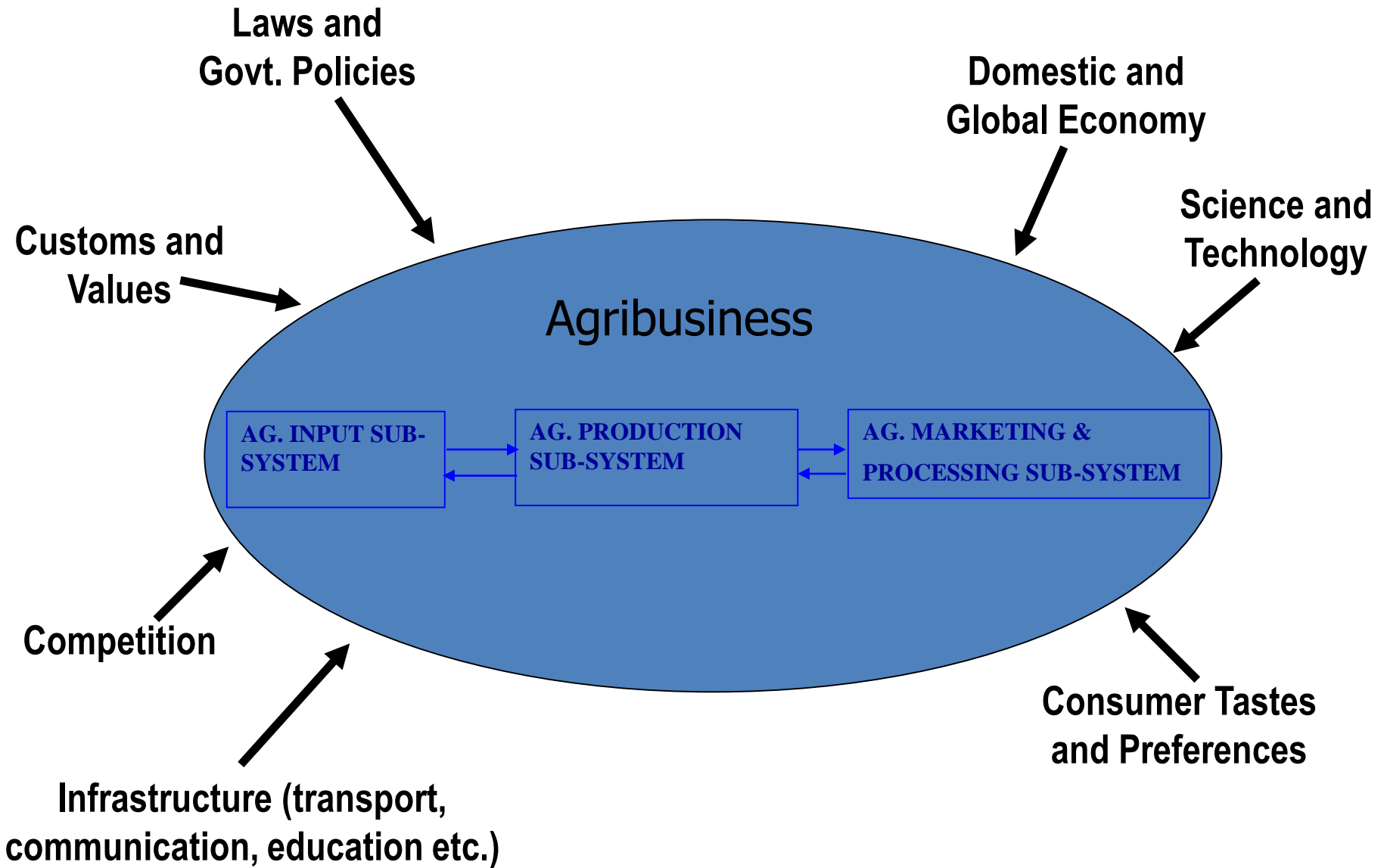
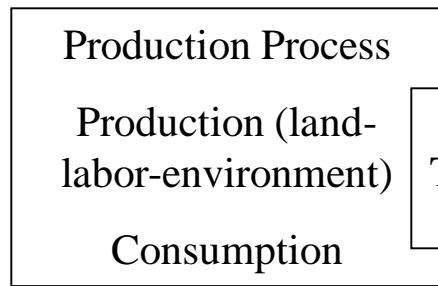


Agribusiness Management

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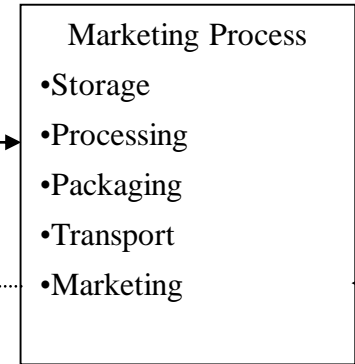
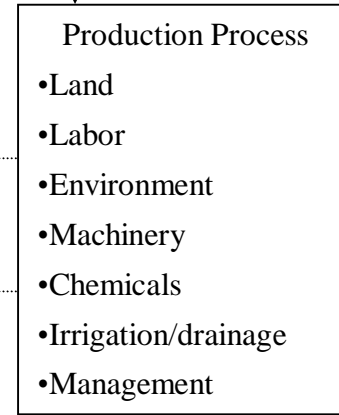
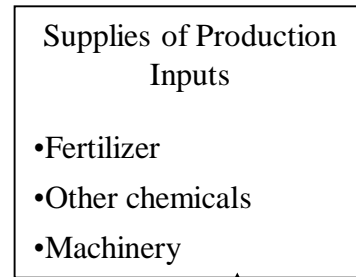


Traditional Agriculture

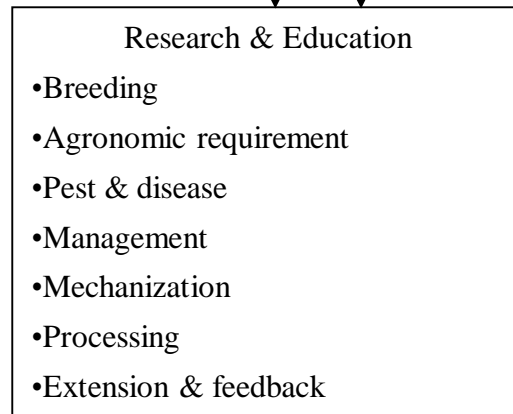


Transformation

Agribusiness



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Transformation of Traditional Agriculture to Agribusiness

Concept Of Agri-business

- Agri-business can be defined as commercialization of agriculture, which refers to market orientation of agricultural production and marketing process.
- Transition from subsistence to commercial agriculture.

Concept Of Agri-business

- The agribusiness system is made of thousands of businesses ranging from the small producers to large corporations
- It is the management that drives and directs the firms , farms and food companies that come together in the whole agribusiness system
- Each of these businesses have managers responsible for assuring successful completion of the functions, tasks and activities.

Practice of Management

- Marketing Management
- Financial management
- Operations/Logistic Management
- Human Resources Management

Marketing Management

- Marketing management is a key function within each of the sectors of agribusiness.
- It represent selling, advertisement, marketing research, new product development, physical distribution, pricing.
- Agricultural marketing is characterized by basic activities such as storage, transport and processing.
- Main players in agricultural markets are the food processors, marketing firms, allied industries, supplying services like transport, communication and energy, consumers and intermediaries such as the govt.
- Main decision areas involving agribusiness are what to produce, how much to produce, how to produce and how to distribute through minimal costs for maximum returns.

Financial Management

- Financial information allows managers to understand the current health of the firm
- The tools of finance such as balance sheet, income statements, break-even analysis, financial forecasting are used by agribusiness managers in making decisions.
- Choosing source of funds
 - rate of return

Operations/logistic management

- Push for quality, drive for lower costs, change in supply chain, and general pressure to be more efficient
- Operation/logistic management focuses on the direction and the control of the processes used to produce the goods and services
- Transportation, inventory management, scheduling etc.

Human Resource Management

- HRM encompasses mechanisms of personnel administration and motivating people to contribute their maximum potential
- Decisions include where to find people, how to hire them, how to compensate them, and how to evaluate them?

Decision making choices

- Delivery Alternatives
 - local market
 - commission agent at farm
 - regulated market
 - processing plant
 - international market

Decision making choices

- Storage alternative
 - on farm storage
 - commercial facility
 - government facility
- Product alternative
 - raw product
 - processed products
 - branded products

Decision making choices

- Pricing alternatives
 - cash sale
 - forward contract
 - as on sale basis
 - contracting
- Mode of marketing
 - individual
 - cooperative

Unique Dimensions of Agribusiness

- It can be argued that management theory and principles are the same for any business enterprise.
- So what is so unique in agribusiness management?

Unique Dimensions of Agribusiness - Product Characteristics

- Raw material
- More bulky
- Perishable
- Uncertain quantity and quality

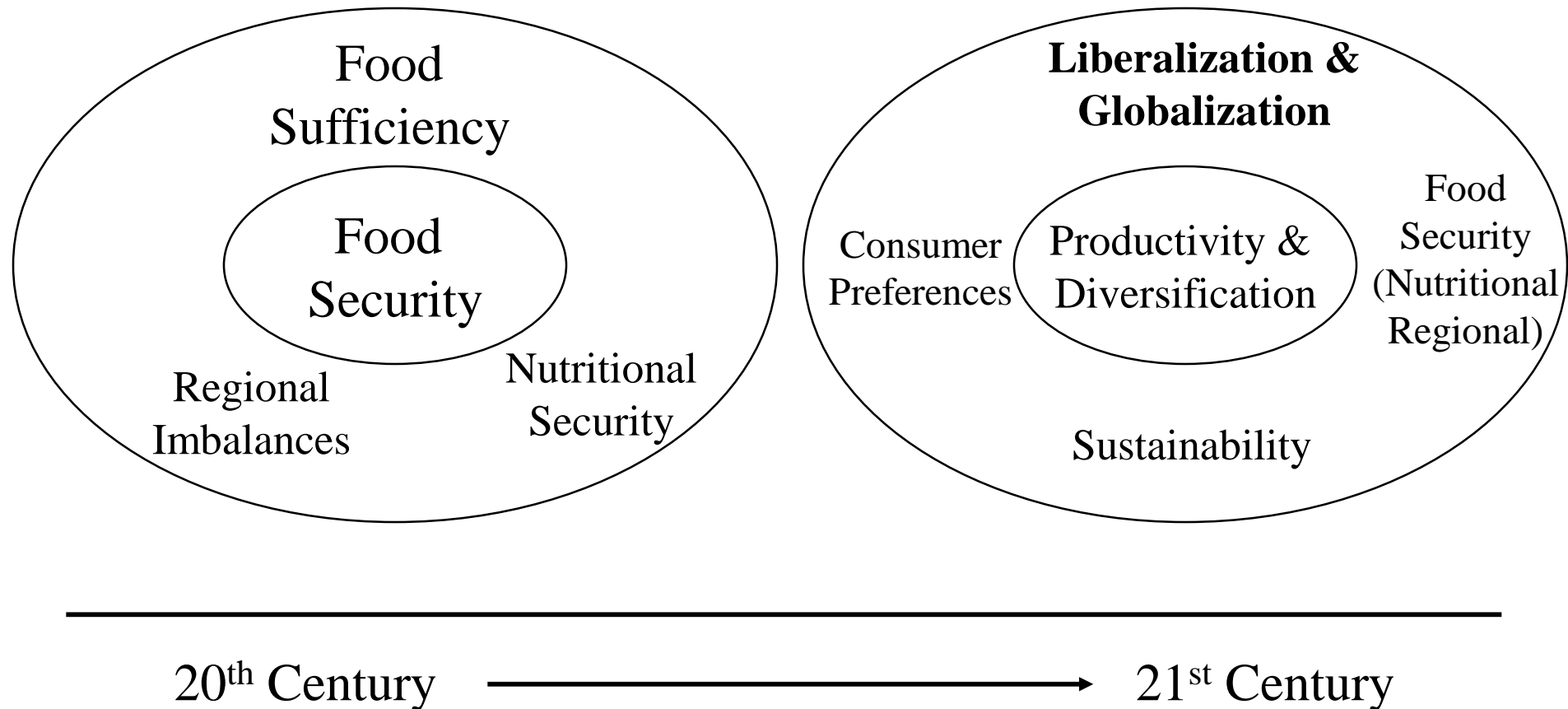
Unique Dimensions of Agribusiness - Production Characteristics

- Small scale
- Scattered
- Specialized
- Seasonal

Unique Dimensions of Agribusiness - Consumption Characteristics

- Continuous
- Price inelastic demand

Agribusiness - Issues



Agribusiness - Issues

- Agriculture production based on consumer preference
- Emphasis on increase in productivity
- Production diversification
- Agriculture production and marketing under liberalization and globalization
- Maintaining food security
- Sustainability on natural resources

What is commercial agriculture?

Cropping pattern shift in favor of cash crops

Farming on a large scale

Increased share of marketed surplus

Cultivation integrated with agro-processing

Increased use of purchased inputs

Concept Of Agri-business

- Thus commercialization of agriculture can take in to two forms:

Product commercialization which can occur on the output front

Factor commercialization which can occur on the input side

Agri-business: Shift In Focus

- From deficit management to surplus management
- From production oriented approach to market oriented approach
- From managing shortages to stimulating demand

Agri-business - Focus

- Transformation from commoditization to commercialization of Agriculture
- Market orientation of agriculture sector
 - Moving from current supply driven production system to demand driven system (quantity and quality)
 - Dissemination of market information
 - Linkage production with agro-processing sector
 - promoting competition and transparency of agriculture produce marketing

Alternate Business Philosophies

- Production Orientation:

Focus: Exploitation of technical capability

(maize grows well here so we grow maize)

Objective: Profits through supplying to markets where task is one of allocating supplies between different markets

Alternate Business Philosophies

- Selling orientation:

Focus: Promoting the consumption of the product that you are able to produce

(Let us sell as much of the maize as possible)

Objective: Profits through persuading the people that what you have is what they really want

Alternate Business Philosophies

- Marketing orientation:

Focus: Identifying wants and needs of the consumers and matching those with your resources

(Income has risen and people want more vegetables, so let us diversify)

Objective: Profits through provision of customer satisfaction by meeting their needs and wants

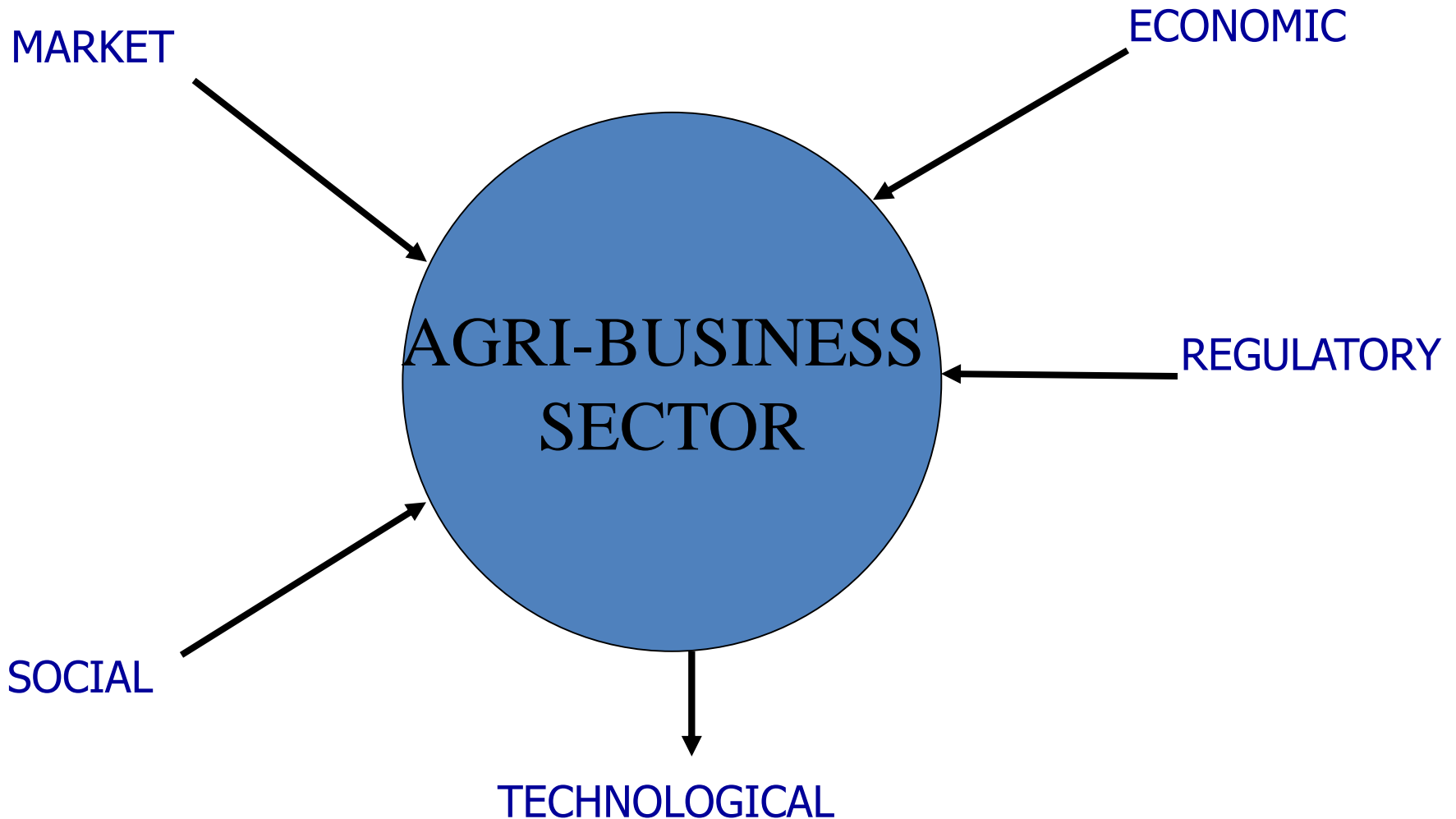
Agribusiness Environment

- The environment can be defined as “the aggregate of all conditions, events and influences that surround and effect it”

Agribusiness Environment

- Broadly divided into two parts
- The external environment
 - includes all the factors outside the agri-business sector (opportunities and threats)
- The internal environment
 - refers to all the factors within agri-business sector which imparts strengths or cause weaknesses.

Agribusiness - Environment



Components of Environment

Market Environment

Consists of the factors which have an impact on agri-business market, like

- client factors such as needs, preferences, and buying behavior of customers.
- marketing intermediary factors such as middlemen, distribution channels and delivery systems.
- Product factor such as demand ,features, utility and the substitutes of the products.

Components of Environment

Social Environment

- Demographic Characteristics:
population density and distribution, migration and rural urban mobility.
- Social Attitudes
social customs, beliefs, practices, and changing life style patterns.

Components of Environment

- Educational levels and awareness of the members of society
- Social concerns, such as environmental pollution

Components of Environment

Technological Environment

- Technological development and change
 - can change cost of production
 - can create new market
- Cost and availability of technology
- Transfer of technology

Components of Environment

Regulatory Environment

- Regulation of activities by the govt.
 - agriculture price policy
 - import and export policy
 - policy related to subsidy on inputs

Components of Environment

Economic Environment

The economic stages existing at a given time in the country.

The economic structure adopted, such as capitalistic, socialistic or mixed economy.

Unique Dimensions of Agribusiness

- In addition to a strong background in management, agribusiness managers need a strong understanding of the biological and institutional environment surrounding the agribusiness sector.

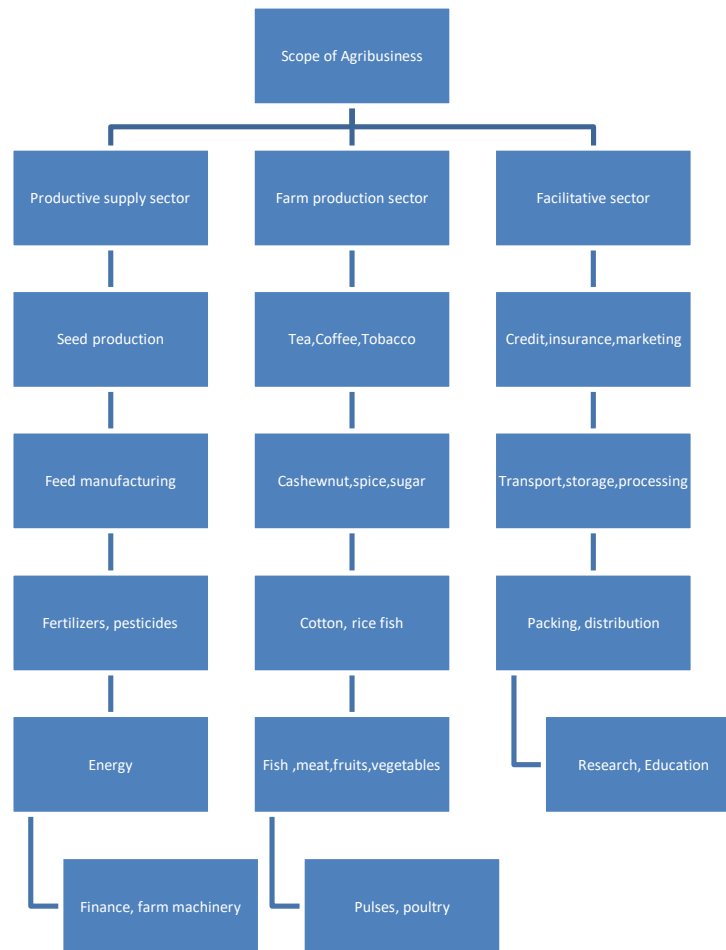
Features Of Agribusiness

- Production depend upon climate factor and other uncontrollable factors.
- Highly seasonal and bulky in nature.
- Large gap between sowing of seeds to harvesting of final produce.
- Extremely perishable in nature.
- Production is often concentrated in area that are located far away from final consumer.
- Indian agriculture is in hands of small and marginal farmers who have limited influence in market place.
- Agricultural output is large in the form of raw materials which has to further processed.
- Farmers does not have control over the output of production as compared to non farm industries.
- Variety in size of agribusiness firm from family owned business to large multinational.

Nature and scope of Agribusiness

- Agribusiness has two pillar agr-infrastructure and agri-management.
- Farm managers, consumers, engineers and administrators are its integral components

Scope of Agribusiness



Productive resources supply sector

- This sector provides supplies, equipment and services needed to produce plants and animals.
- Large quantum and variety of inputs have been made available to the farmers in terms of farm machinery, seed, fertilizers, agriculture chemicals, crop consultants, transporters.

Farm production sector

- It includes actual producers on the farm of various commodities like tea, pulses, coffee, tobacco, cashew, spices, sugar, cotton, rice, fish, meat, fruits and vegetables, pulses etc.
- This sector is central to all agricultural operations.
- This sector focus on natural resource management and improvement in productivity.

Facilitative service sector

- It includes all agribusiness and individuals that handles agricultural products from farm to final consumer.
- This industry promotes better ways to produce and market food and to protect food producers and consumer.
- Most of the services provided by Government Department.
- Private investment in infrastructure, credit provision, transportation and insurance area

Role of Agribusiness in India

- Better planning and value added managing for value added agriculture.
- Willingness of Indian farmers to adopt to new farm practices.
- Balancing socio-economic development both in urban-rural.
- Change from deficit oriented to surplus oriented sector.
- Output marketing has switched over to value added.
- New strategies and methods of marketing such as contract farming, future trading.
- Shift from microfinance to livelihood finance and technology empower.
- To promote knowledge, empowerment and capacity building in area of agriculture, animal husbandary, fisheries and agro process in industry.

Challenges In Agribusiness

- Agricultural products are extremely bulky .It requires large storage and transportation facilities.
- Being perishable in nature it requires speedy handling and refrigeration.
- Due to seasonal variation in production, storage and processing facilities are needed in order to ensure availability

Continued

- Cost of production varies from region to region depending upon the climatic condition, labour availability, size of operation, managerial skill etc the price received by the farmers vary often remains the same although the cost incurred by them tend to be vastly dissimilar.
- Long gestation period from time of sowing of seeds to harvesting of crops leads to a large price fluctuation based on market based on market condition at a particular period of time
- Bargaining power of buyers of farm products is superior on account of the inherent characteristics of the agriculture sector.

Shift in Focus required in Agribusiness

From aggressively
marketing inputs to
farmers

To efficiently marketing
the produce of the
farmers

From chemicals like
pesticides and fertilizers
forming the major inputs
to farmers

To market information.
market intelligence,
technology services being
the core components of
the resource supply sector

Change In Approach

From the agricultural
commodity marketing sector

To the agricultural processing
sector

From government investment
and intervention in the service
supply sector

To maximum private
investment in the service
supply sector especially
infrastructure like
irrigation, markets, transport
and communication networks

AGRIBUSINESS MANAGEMENT

- Management is essentially the effective use and co-ordinate of resources to achieved pre-determined objectives.
- Functions of agribusiness management categorized-
- Planning, Organization, Directing and Controlling.

Planning

- Planning is the forward thinking about a course of action to be followed based upon full understanding of all factors involved and directed at specific goals and performance objectives.
- Three main types of planning
- Strategic, Tactical and contingency.

Strategic Planning

- Strategic Planning focuses on the developing a long term action plan varying from 5-20 years depending upon the size of the firm, nature of business, key markets, distinctive advantages.
- Strategic Plans are formulated by the top level management.

Tactical Plans

- Tactical plans are the short terms plans that are consistent with the strategic plan.
- Tactical plans devised by the middle management, are less flexible and more general in nature.

Contingency Plans

- Contingency planning involves the development of alternative plans for possible different business conditions.

Organization

- Organization is the systematic classification and grouping of human and other resources in a manner consistent with the firm's goals.
- The function of organization involves setting up the organization structure, determining the job to be done defining lines of authority and responsibilities and establishing relation among the organization

Directing

- Directing is the process of achieving presenting goals by working together as a team.
- Functions like selecting, allocating and training personnel: staffing, assigning duties and responsibilities.
- Involves the development of programs, plans, policies, procedures and practices with in organization.

Controlling

- Controlling deals with monitoring and evaluation of activities by measuring and comparing performance with pre set standards..
- Control system includes MIS that monitor plans and processes to ensure the pre determined goals

Thank You