



**Dr.SNS RAJALAKSHMI COLLEGE OF ARTS AND SCIENCE**  
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Reshaping Common Mind & Business Towards Excellence



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## **Introduction to Agribusiness**

### **1. Meaning and Concept of Agribusiness**

Agribusiness refers to all business activities related to agricultural production, processing, distribution, and marketing of agricultural products. The term was first popularized by **John H. Davis and Ray A. Goldberg (1957)**, who defined agribusiness as the sum total of all operations involved in the manufacture and distribution of farm supplies, production activities on the farm, and storage, processing, and distribution of agricultural commodities.

#### **Key Features of Agribusiness**

- Integrates **agriculture and business** principles
- Covers activities **before the farm (input supply), on the farm (production), and after the farm (processing & marketing)**
- Market-oriented and profit-driven
- Involves multiple stakeholders such as farmers, processors, traders, exporters, retailers, and government agencies

**Example:** Seed companies like **Mahyco** supply hybrid seeds (input stage), farmers cultivate crops (production stage), food processing companies like **ITC** convert raw produce into packaged foods (processing stage), and retail chains like **Reliance Fresh** sell to consumers (marketing stage).

### **2. Nature of Agribusiness**

The nature of agribusiness explains its inherent characteristics.

#### **2.1 Biological Nature**

- Depends on biological processes of plants and animals
- Subject to natural risks such as droughts, floods, pests, and diseases

**Example:** Crop yield depends on rainfall, soil fertility, and climate conditions.

## **2.2 Seasonal Nature**

- Production is seasonal, but consumption is continuous
- Requires storage and inventory management

**Example:** Paddy is harvested once or twice a year but consumed throughout the year.

## **2.3 Risk and Uncertainty**

- High exposure to price fluctuations, weather risks, and market uncertainties

**Example:** Tomato prices fluctuate drastically due to supply-demand imbalance.

## **2.4 Perishable Nature of Produce**

- Many agricultural products are highly perishable
- Requires cold storage, quick transportation, and efficient logistics

**Example:** Fruits, vegetables, milk, fish, and flowers.

## **2.5 Government Regulation**

- Strong influence of government policies, subsidies, MSP, export-import restrictions

**Example:** Minimum Support Price (MSP) for wheat and rice.

# **3. Scope of Agribusiness**

The scope of agribusiness is very wide and covers the entire agricultural value chain.

## **3.1 Input Supply Sector**

- Seeds, fertilizers, pesticides
- Farm machinery and equipment
- Irrigation systems and technology

**Example:** Tractors by Mahindra, fertilizers by IFFCO.

## **3.2 Farm Production Sector**

- Crop production
- Livestock farming
- Fisheries and aquaculture
- Poultry and dairy farming

**Example:** Commercial dairy farms like **Amul's milk producers**.

### **3.3 Agro-Processing Sector**

- Processing of raw agricultural produce into value-added products

**Examples:**

- Paddy → Rice
- Sugarcane → Sugar
- Milk → Butter, Cheese, Ice cream

### **3.4 Marketing and Distribution Sector**

- Storage, transportation, wholesaling, retailing
- Domestic and international trade

**Example:** e-NAM (National Agriculture Market).

### **3.5 Agri-Services Sector**

- Agri-finance, insurance, warehousing
- Extension services and consultancy

**Example:** Crop insurance under PMFBY.

## **4. Types of Agri business**

### **4.1 Farm Input Agribusiness**

- Production and distribution of inputs used in farming

**Examples:** Seed companies, fertilizer manufacturers, agri-chemical firms.

### **4.2 Farm Production Agribusiness**

- Actual agricultural production activities

**Examples:** Commercial farming, plantations, contract farming.

### **4.3 Processing Agribusiness**

- Value addition through processing and packaging

**Examples:** Rice mills, flour mills, sugar factories, food processing units.

### **4.4 Marketing Agribusiness**

- Movement of agricultural goods from farm to consumer

**Examples:** APMC markets, wholesalers, retailers, exporters.

#### **4.5 Service-Based Agribusiness**

- Supporting services

**Examples:** Agri-input dealers, cold storage operators, agri-logistics firms.

## **5. Evolution and Changing Business Dimensions of Agribusiness in India**

### **5.1 Traditional Agribusiness (Pre-Green Revolution)**

- Subsistence farming
- Limited use of technology
- Local markets

### **5.2 Green Revolution Phase (1960s–1980s)**

- Introduction of HYV seeds
- Use of fertilizers, irrigation, mechanization
- Increased productivity

**Example:** Wheat and rice production growth in Punjab and Haryana.

### **5.3 Liberalization Phase (Post-1991)**

- Entry of private sector
- Export-oriented agribusiness
- Contract farming and agribusiness firms

**Example:** PepsiCo contract farming for potatoes.

### **5.4 Modern Agribusiness Phase**

- Agri-tech startups
- Digital platforms and precision farming
- Organic farming and sustainable agriculture

**Examples:** DeHaat, Ninjacart, AgriBazaar.

### **Changing Dimensions**

- Shift from production-oriented to market-oriented agriculture
- Emphasis on value addition and branding
- Integration with global markets
- Adoption of technology and innovation

## **6. Application of Management Principles in Agribusiness**

### **6.1 Planning**

- Crop planning
- Resource allocation
- Production forecasting

**Example:** Deciding crop mix based on market demand and soil conditions.

### **6.2 Organizing**

- Allocation of tasks
- Farm labor management
- Coordination among activities

**Example:** Organizing harvesting, storage, and transportation.

### **6.3 Staffing**

- Hiring skilled labor
- Training farmers and workers

**Example:** Training dairy workers in hygienic milk handling.

### **6.4 Directing**

- Leadership and motivation
- Supervision of farm operations

**Example:** Motivating contract farmers through incentives.

### **6.5 Controlling**

- Cost control
- Quality control

- Performance evaluation

**Example:** Monitoring input costs and crop yields.

## **7. Importance of Agribusiness in the Indian Economy**

### **7.1 Contribution to GDP**

- Agriculture and allied sectors contribute significantly to national income

### **7.2 Employment Generation**

- Provides livelihood to a large portion of the population
- Creates employment in farming, processing, logistics, and marketing

### **7.3 Food Security**

- Ensures availability of food for the growing population

### **7.4 Industrial Development**

- Supplies raw materials to agro-based industries

**Examples:** Textile industry (cotton), sugar industry (sugarcane).

### **7.5 Export Earnings**

- Major source of foreign exchange

**Examples:** Export of rice, spices, tea, coffee.

### **7.6 Rural Development**

- Improves rural income and infrastructure
- Reduces rural-urban migration

## **8. Conclusion**

Agribusiness plays a crucial role in transforming traditional agriculture into a modern, market-driven, and sustainable sector. With increasing globalization, technological advancements, and policy support, agribusiness in India is expanding rapidly. Effective application of management principles can enhance productivity, profitability, and competitiveness, making agribusiness a key driver of economic growth and rural development.