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Reshaping Common Mind & Business Towards Excellence



Build an Entrepreneurial Mindset Through Our Design Thinking FrameWork

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## **1. Meaning of Agricultural Business Management**

Agricultural Business Management refers to the application of management principles and practices to agricultural production and agribusiness activities in order to achieve efficiency, profitability, and sustainability. It involves planning, organizing, directing, and controlling agricultural resources such as land, labor, capital, and technology.

It combines agriculture + economics + management to improve decision-making in farming and agribusiness enterprises.

Example: Managing a dairy farm by planning feed supply, organizing labor, controlling costs, and marketing milk efficiently.

## **2. Distinctive Features of Agricultural Business Management**

Agricultural business management differs from industrial or commercial management due to the unique nature of agriculture.

### **2.1 Dependence on Nature**

- Agricultural activities depend heavily on climatic conditions like rainfall, temperature, and soil fertility.
- Natural uncertainties make planning difficult.

Example: Crop failure due to drought or floods.

### **2.2 Biological Production Process**

- Production involves biological growth of plants and animals.
- Output cannot be instantly increased or decreased.

Example: Gestation period in dairy farming.

### **2.3 Seasonal Production**

- Production is seasonal, while consumption is continuous.

- Requires storage and inventory management.

#### 2.4 High Risk and Uncertainty

- Price volatility, pest attacks, and weather risks.

Example: Sudden fall in onion prices due to oversupply.

#### 2.5 Small and Fragmented Holdings

- Predominance of small and marginal farmers in India.
- Limits economies of scale.

#### 2.6 Perishability of Output

- Agricultural products are perishable.

Example: Fruits, vegetables, milk, fish.

### **3. Nature of Agricultural Management**

The nature of agricultural management explains how management functions operate in the agricultural sector.

#### 3.1 Decision-Oriented

- Focuses on farm-level decisions like crop selection, input use, and marketing.

#### 3.2 Resource-Based

- Efficient use of scarce resources such as land and water.

#### 3.3 Dynamic in Nature

- Changes with technology, market demand, and policies.

#### 3.4 Long-Term and Short-Term Planning

- Long-term: land improvement, irrigation, machinery.
- Short-term: crop planning, labor scheduling.

#### 3.5 Social Responsibility

- Concerned with food security, employment, and sustainability.

## **4. Role of Agricultural Management in Developing Agribusiness**

Agricultural management plays a crucial role in transforming traditional farming into modern agribusiness.

### 4.1 Improving Productivity

- Scientific planning and efficient input use increase yields.

Example: Precision farming techniques.

### 4.2 Cost Reduction

- Better allocation of resources reduces wastage.

### 4.3 Market Orientation

- Shifts focus from subsistence to commercial farming.

Example: Contract farming based on market demand.

### 4.4 Risk Management

- Adoption of crop insurance and diversification.

### 4.5 Value Addition

- Encourages processing and branding.

Example: Milk converted into cheese and butter.

## **5. Agricultural Business Environment**

Agricultural business environment refers to all internal and external factors that influence agricultural business operations.

### 5.1 Internal Environment

- Farm resources
- Management capability
- Technology used

### 5.2 External Environment

#### (a) Economic Factors

- Income levels
- Credit availability

- Price fluctuations

(b) Technological Factors

- Mechanization
- Biotechnology
- Digital agriculture

(c) Social Factors

- Population growth
- Food habits
- Literacy level

(d) Political and Legal Factors

- Agricultural policies
- Land reforms
- MSP and subsidies

(e) Natural Factors

- Climate change
- Soil quality
- Water availability

## **6. Factors Influencing Agricultural Business Management**

- Size of landholding
- Availability of finance
- Access to markets
- Infrastructure facilities
- Government policies
- Level of mechanization

## **7. Challenges in Agricultural Business Management**

### 7.1 Climatic Risks

- Climate change leading to unpredictable weather.

### 7.2 Price Instability

- Lack of assured pricing.

### 7.3 Inadequate Infrastructure

- Poor storage, transport, and cold chain facilities.

### 7.4 Limited Access to Credit

- Dependence on informal sources.

### 7.5 Technological Gaps

- Low adoption of modern technology.

### 7.6 Marketing Problems

- Middlemen exploitation.

### 7.7 Fragmented Land Holdings

- Limits large-scale operations.

## **8. Role of Government in Agricultural Business Management**

The government plays a vital role in supporting and regulating agricultural business.

### 8.1 Policy Formulation

- National Agricultural Policy
- Food security policies

### 8.2 Price Support Measures

- Minimum Support Price (MSP)
- Procurement operations

### 8.3 Input Subsidies

- Fertilizer subsidy
- Power and irrigation subsidies

### 8.4 Credit and Insurance Support

- Kisan Credit Card (KCC)
- Crop Insurance schemes (PMFBY)

#### 8.5 Infrastructure Development

- Warehousing
- Cold storage
- Rural roads

#### 8.6 Marketing Reforms

- e-NAM
- APMC reforms

#### 8.7 Promotion of Agribusiness and Exports

- Support to food processing industries
- Export incentives

### **9. Conclusion**

Agricultural business management is essential for the growth and sustainability of the agricultural sector. By applying sound management principles and with active government support, agriculture can be transformed into a profitable and competitive agribusiness. Effective management helps overcome challenges such as risk, uncertainty, and market inefficiencies, contributing significantly to economic development and rural prosperity.