Redefining the components of agribusiness

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ABSTRACT

Agribusiness is a fast emerging industrial sector and becomes a most important sector of Indian economy due to boosting up the economy and taking care of global opportunities of trade. Nowadays, agriculture has achieved commercial importance and status is changed from subsistence to commercial farming, import oriented to export oriented, supply driven technology to demand driven technology due to agribusiness sector. Agribusiness is a complex and comprehensive system of industry chain, which is playing a vital role in Indian economy. Generally, Agribusiness is difficult to understand due to its elusive and complex nature while understanding the concept, system, structure, and components of agribusiness is essential to understand the whole agribusiness environment. Agribusiness is made of various sectors like input sector, production sector, processing sector and marketing service sector, in which the main value-added sector concentrated on the post-production sectors. The agribusiness is greatly expanding India's agricultural development and providing a possible choice for modernization of Indian agriculture. The present article is a systematic effort to introduce the structure and subsystem of agribusiness along with the different components of agribusiness system.

KEYWORDS

Agribusiness System, Input Sector, Processing Sector, Supportive System

HOW TO CITE THIS ARTICLE


Agribusiness means market orientation of agricultural production and marketing process. In other words, it is the process of transformation of agriculture from subsistence level to commercial level. Agribusiness is no longer farm centric but moving towards customer and market orientation. (Ray A. Goldberg and John H. Davis put forward the concept of agribusiness in 1957) in their published book "A Concept of Agribusiness", in which agribusiness was used to express the high degree of inter-dependent relationship between the field of agriculture and commerce (Goldberg and Davis, 1957). They believe that agribusiness is the result of a large number of changes occurring in technology, organization and institution. Agribusiness refers to the whole production system including the supply of agricultural equipment, agricultural production operations, agricultural products storage, agricultural products processing and distribution of other agriculture related derivative products (Geng and Zhou, 2011). Agribusiness has been defined by many agribusiness experts and management thinkers in different ways by considering its dynamic and complex nature. Agribusiness definitions share a common emphasis for the interdependence of the various sectors of the agri-food supply chain that work towards the production, manufacturing, distribution and retailing of food products and services. According to (Davis and Goldberg, 1957) agribusiness is a concept of economics which includes the sum total of all operations involved in the manufacturing and distribution of farm supply, production operation on the farm, and the storage, processing and distribution of farm commodities and items made from them. Agribusiness can also be defined as science and practice of activities with backward and forward linkage related to production, processing, marketing, trade, distribution of raw and processed food, feed, fiber including supply of inputs and service for these activities. (Edwards and Shultz, 2005) defined that agribusiness management is a dynamic and systemic endeavor that serves consumers locally and globally through innovation and management of multiple value chains that deliver valued goods and services derived from the sustainable orchestration of food, fiber and natural resources. Agribusiness is market oriented and applied field of agriculture due to its dynamic nature, crucial backward and forward linkages.
Agribusiness is different from other business sectors in several ways. Sonka (1989) differentiated agribusiness in five different ways from other business including first the unique cultural, institutional and political aspects, second the uncertainty in production, three the alternative goals and forms of political intervention, fourth the public sector’s contribution toward development of technology, and fifth is the variety of competitive structures in the agribusiness sector. Structure of Agri-business is generally vertical and it comprises the (a) governmental policies and programmes regarding raising of crops or taking enterprises (b) research and extension programmes of the government (c) farm supplies or inputs (d) agricultural production (e) processing and (f) marketing of agricultural products.

**Agribusiness System**

Agribusiness system is made up of diverse components and touches a wide range of areas such as grains, pulses, tubers, fruits, spices, vegetables, plantations, farms, organic farming, vermiculture, orchards, floriculture, gardening, pisciculture, apiculture, sericulture, poultry, dairy farming, feed and fodder, water and soil testing, irrigation system, farm equipments, pesticides, weedicides, plant clinic, farm credit, seed production, post-harvest management, agro foods, selling of farm produce, rural banking, quality control, grading, agriclinic, agro service, food processing, food parks and many more (The Hindu, 2015). According to Ng and Siebert (2009) the agribusiness system is made of thousands of businesses ranging from small family farming to large corporations. It drives, directs and manages the firms, farms, and agribusiness organization that come together in the whole or global agribusiness system. It includes input, production and processing sectors and the success of each part depends upon the proper function of others. Lee (1976) stated that agribusiness does not exist in isolation from other business, industrial and agricultural activities and several components are the essential to conduct agribusiness activities including producers, retailers, consumers, transportation, communication, free markets and specialization of work. According to D. W. Block (2015) agribusiness includes three major components viz. producers, agri input firms and agri output firms. Agribusiness components includes all the business and management activities performed by firm that provide inputs to farm sectors, produce agricultural products and process, transport, finance, handle and distribution of farm products to ultimate consumers (Bairwa and Kushwaha, 2015). Agribusiness integrates business management principles with the technical knowledge of the managerial challenges of the agricultural sector from actual production to consumer acceptances (Erickson, 2002). The main distinction with agriculture could be with anything that is within the farm gate, while in agribusiness all products and service before and after farm gate exclusive for final distribution to the consumers. So in nutshell, agribusiness consists of three major components viz. agricultural sector, production sector and processing-manufacturing sectors (Roy, 1980).

Agribusiness constitute the food and fibre composition in line with the service of retailing, wholesaling, and processing in the farms but in less developed countries, the definition would take the form of food agro industries inclusive of processing and distribution of both inputs and outputs (Becvarova, 2005).

According to Sonka and Hudson (1999) agribusiness is made up of different interrelated sub sectors including (a) genetic and seed stock firms (b) input suppliers (c) agricultural producers (d) merchandized or first handlers (e) processors and (f) retailers and consumers. Edwards and Shultz, (2005) reported that twenty first century agribusiness encompasses a much broader set of components including agri inputs, farm outputs, processing, marketing, banking, financing, agri consultancy, plant clinics, transportation, communication, perfect market, government, society, financers, and finally consumers. Agribusiness has changed from farm centric to customer and market centric activities, while farms continue to play a vital role in agribusiness. Consumers, producers, retailers and all those persons and institutions that influence it are the part of 21st agribusiness and these components are increasingly affect changes to scopes, shape, form and operations of agribusiness. Diwase (2015) stated that agribusiness is the sum of all the activities concerned with agriculture including farming, management, financing, processing, marketing, seed and nursery stocks, manufacturing of fertilizers, agro chemicals, implements, processing machinery, transportation equipments.
and ICT tools. She also represent agribusiness as a network and constituents of agribusiness networks are the suppliers of agricultural inputs, farmers/producers, processing organizations, wholesalers, retailers, market and the end consumers. An agribusiness system generally consists following major sector/subsystems.

**Agri Input Subsystem**

It enables agribusiness system successful and fundamentally strong because it avails farm inputs to farming community in proper quantity of good quality inputs at appropriate time and cost. Agricultural input sub system provides farmers with all the things needed for production including seed, feed, credit, fuel and agro chemicals.

**Agri Production Subsystem**

Production sub system give basic and necessary raw material to agribusiness system. It includes crop planning for maximum crop production for raw material for agro industries and national food security and sustainable use of natural resources. It also creates employment and maximizes input use efficiency in the economy. This subsystem includes individuals and organizations directly engaged in production of agricultural produce.

**Processing Manufacturing Subsystem**

To increase the value of agricultural produce through value addition is the responsibility of processing subsystem. It creates form utility and maximizes the self-life of farm produce. It includes all the firms engaged in the primary and final transformation of the raw materials. Thus, it includes all the business that turns raw materials into finished products.

**Agri Marketing Subsystem**

This subsystem identify the target market and appropriate market channels to increase/improve customer satisfaction. It also identifies the needs and wants of ultimate consumers through market research. It includes all individuals and firms involved in the distribution of agro based products to final consumer.

**Supportive Subsystem**

All the organization, institution and other entities directly and indirectly affecting the agribusiness system are the part of supportive agribusiness subsystem such as agribusiness finance, agri consultancy, information and communication technology, programs, policies, and incentives to the system.

**CONCLUSION AND SUGGESTIONS**

Agribusiness is a complex multi-dimensional sector that cannot be planned without a systematic view and an interdisciplinary approach. As a
Redefining the components of agribusiness

comprehensive industrial chain, agribusiness includes input sector, production sector, processing sector and marketing service sector, in which the main value-added sector concentrated on the post-production sectors. Agribusiness is much broader than agriculture as it includes all the operations/activities of before and after farm gate while agriculture limits within or up to farm gate. The agribusiness is greatly expanding India's agricultural development and providing a possible choice for modernization of Indian agriculture. Agribusiness is a system which is made of diverse components of production activities, food processing, and marketing process. The major subsystems of agribusiness are agri input, agri production system, agro processing, agricultural marketing management and agribusiness finance, agribusiness finance, ICT as supportive subsystems.

REFERENCES


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