Provided the right policy ecosystem and support, farmers can become successful entrepreneurs.

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AGRI BUSINESS

For a new crop of farmers

The concepts of 'entrepreneurship' and 'entrepreneur' have evolved. Entrepreneurship is no more being seen only as a for-profit business; it now includes the aspect of social entrepreneurship too. And an 'entrepreneur' is not being seen just as an individual who organises or operates a business; the definition includes qualities that define a successful business person too. But can a farmer be called an entrepreneur?

A small farmer does manage an agri-business, but may not exhibit qualities generally associated with a successful business person. An entrepreneur is someone who produces for the market and always looks for opportunities to improve and expand his business by taking calculated risks. Farmers, on the other hand, produce keeping in mind consumption needs and the MSP (minimum support price). Only a small percentage of them try new crops and adopt alternate technologies and practices to make farming profitable.

A majority of Indian farmers do not engage in agriculture out of their personal choice; they do it owing to compulsion despite high, weather-related risks, and many do not see the growth stage ever. The new generation prefers to migrate to nearby cities for alternate livelihoods that fulfill their aspirations rather than putting laborious effort in agriculture, which is low-profile and less-remunerative. Unlike in other businesses, the producers benefit least in agriculture as they remain dependent on the MSP fixed by government agencies, which becomes the maximum price fetched (MPF) by them. The government needs to change its policy and role to empower farmers to decide the prices of agri produce and replace the old inputs-based subsidy approach—which benefits mainly input suppliers—with a system that offers output-based price incentives directly to farmers.

Small farmers possess technical and managerial skills, but lack the entrepreneurial drive to take calculated risks to overcome agri-business challenges related to accessing remunerative markets, timely finance, low bargaining power, regulations, appropriate

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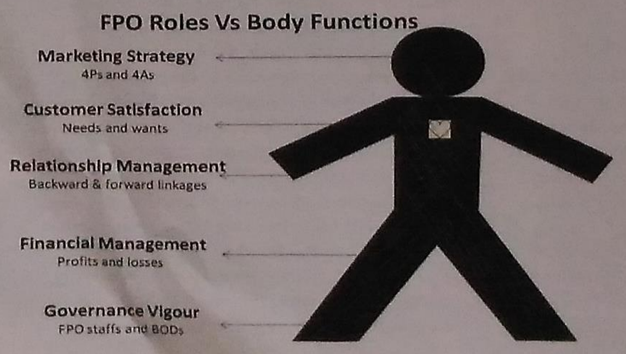
technologies and information, and access to BDS (business development service) providers.

Recent attempts to organise farmers into FPCs (farmer producer companies) have been facilitated by the combined efforts of government agencies and field NGOs—this is aimed at primarily helping farmers become agripreneurs in order to diversify into various agribusiness enterprises related to trading agri-tools and equipment, seed production, certification and marketing, agri-inputs and trade, and value-added products. These agri-business options were available earlier also but small farmers, individually, could never take up these capital- and resource-intensive enterprising activities. The Producer Company Act allows small and marginal farmers to join hands with other local resourceful farmers to form FPCs so as to take up agri-business enterprises, and become entrepreneurs.

However, managing farmers' institutions such as FPCs require entrepreneurial and management skills for managing staff and board members, and profit and losses; accounting; procurement; inventory management; building partnerships with retailers, traders, private players and government agencies; business and marketing strategies, and awareness on rules and regulations of FPCs that small farmers lack at present. Also, the government's efforts at promoting FPCs have not factored in the need for building such capacities for farmers—so that they can manage FPCs successfully and sustainably. Therefore, these farmers' institutions find it difficult to break even and continue to depend on field NGOs even after several years of support.

During my interactions with boards of directors of FPCs, there emerged a need for comprehending and managing the various functions of FPCs. It posed an interesting challenge to educate and communicate key agri-business principles to farmers in a simple and easy-to-understand language. Educating farmers in the areas of agri-business management, marketing, and entrepreneurship would help them see farming more as a profitable enterprise than a last resort. Therefore, it is important to develop FPC-relevant business, marketing and entrepreneurship training content and methodologies that could empower farmers.

In order to run successfully and sustainably, an FPC needs to perform functions similar to ones done by key body parts to live a healthy, long life.



- **Head: marketing strategy**
  Like the brain, an FPC needs to continuously perform key business functions related to thinking, hearing, seeing, feeling, planning, etc., by designing and executing effective marketing strategies around the seller-centric 4Ps (product, place, price, promotion) and customer-centric 4As (acceptability, availability, affordability, awareness) principles.
- **Heart: customer satisfaction**
  A satisfied customer is central to a well-functioning FPC, similar to a healthy heart in a well-functioning human body. An FPC should aim at building loyal customers by fulfilling their changing needs with effective marketing strategies to ensure its long-term sustainability.
- **Arms: stakeholders' engagement**
  An FPC needs to reach out to various existing and potential stakeholders such as the local government, private sector companies and distributors, the local *mandi*, IT solution providers, and legal, finance and business experts to build effective and sustainable partnerships.
- **Artery and vein: financial management**
  An FPC needs to strive to become financially viable as soon as possible to stand on its feet without having to continuously depend on the supporting NGO and government agency, similar to an artery conveying oxygenated blood to the body parts (profits) and veins carrying de-oxygenated blood towards the heart (losses) for converting into oxygenated blood.
- **Legs: governance vigour**
  For smooth running of an FPC, it is important that both FPC staff (represented by one leg) and board of directors (represented by the other leg) complement each other. In the initial years, NGO representatives manage and run the entire operations of FPCs, but that should gradually transform to an equal sharing of responsibilities between them wherein vision and leadership should come from the board of directors, and day-to-day operations and technical aspects should be managed by the staff.

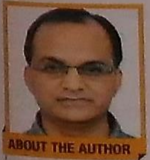
For a healthy and functional FPC, it is important for farmers to learn to manage these different functions diligently. These offer them a golden opportunity to become agri-business entrepreneurs by graduating from doing simple farming to businesses that provide them competitive advantage through vertical business integration—by moving up in the value chain and reaching as close as possible to final consumers, to maximise price realisation.

Farmers need the right policy ecosystem and support to flourish and become entrepreneurs.

They can become successful entrepreneurs only if barriers outside their control are removed, such as enhancing government investment in agriculture, creating a web of irrigation infrastructure, supporting laws and regulations, access to timely and adequate finance, and access to effective extension and business development services.

In a nutshell, the following three broad areas would help in creating a right ecosystem for farmers to become agripreneurs:

- **Build business and entrepreneurship skills:** The government needs to encourage private agencies and institutions that build the marketing, business, and entrepreneurial skills of farmers, certify them, and also extend them onsite hand-holding services.
- **Create and facilitate modern IT-enabled marketing infrastructure:** In order to bring transparency and efficiency, all APMC *mandis* need to use electronic weighing machines, grading machines as per AGMARK standards, and differential prices for the graded products. Promote modern warehouses with enhanced capacities, cold storages, and incentivise agri-processing units.
- **Policy law and regulations:** Innovative laws such as treating FPCs as startups and extending [agripreneurs] three-year income tax exemption, proposed recently for corporate startups.



ABOUT THE AUTHOR

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