

Agribusiness-A Panacea for Agricultural Problems in Karnataka

Dr. Ananda. A

Course Co-coordinator and HOD, P.G. Studies in Economics, Sri D Devaraja Urs Govt. First Grade College, Hunsur

Abstract

Agribusiness constitutes production, manufacture and distribution of farm inputs, equipment and supplies. It also implies processing, storage and distribution of farm commodities. It includes input industries for agricultural production, post-farm gate industries like commodity processing, food manufacturing and third party farms that facilitate agribusiness operations like bankers, brokers, advertising agencies and marketing information firms. It is a broad concept beyond mere agriculture. Agribusiness entrepreneurship is practiced in countries like United States of America, India, Israel, Ethiopia, South Africa and Malaysia. It is an engine to promote their economies to enhance development and sustainability. Agribusiness-a panacea for agricultural problems not only in India but particularly in Karnataka because it enables finding out new methods of production, improving the quality of product and develop new products as per the changing tastes and wants of the consumers.

Introduction:

The term agribusiness was first used in 1955 by John H. Davis of Harvard university. In 1980s it was given three dimensions such as using it synonymously with the term agriculture, agriculture economics and a modified concept excluding farming and the off-farm aspects of agriculture. The term agribusiness involves an input or service comprising productive resources like feed, seed, fertilizer, equipment, energy, pesticides, machines etc. It implies agricultural commodities like raw and processed commodities of food and fiber apart from facilitative services like credit, insurance, marketing, storage, processing, transportation, packing, distribution, consultancy, soil testing and many more.

Karnataka, which lies in the south-western region of India has the highest economic growth. Agriculture is a major occupation for many rural residents of the state and it is the largest sector which provides means of livelihood. Karnataka has black soil conducive for many commercial crops but agriculture is highly dependent on the southwest monsoon. The state is frequently prone to droughts though it has two main rivers namely Krishna and Kaveri with their tributaries.

Objectives:

1. To explain the scope of agribusiness in Karnataka
2. To examine briefly the problems of Agriculture in Karnataka
3. To suggest remedies in the form of agribusiness to solve the agricultural problems

Methodology:

This study is mainly based on secondary data collected through journals, reports, newspapers and website. The study is analytical in its nature.

Hypotheses

The study has the following hypotheses

1. H₀ : Agribusiness is not a panacea for agricultural problems in Karnataka
H₁ : Agribusiness is the panacea for agricultural problems in Karnataka.
2. H₀ : There is no scope for agribusiness in Karnataka.
H₁ : There is lot of scope for agribusiness in Karnataka

3. H0:Karnataka Government has not taken initiatives for agribusiness

H1: Karnataka Government has taken initiatives for agribusiness

Problems of agriculture in Karnataka :

The year before Karnataka faced the worst droughts in last 40-odd years, droughts have affected several districts of the state since four years. The Northern region ranks on the top in terms of drought-prone region, as the region lacks proper irrigation system and it rely on traditional methods of farming.

Farmers' suicide has become a pertinent issue in the state, Out of the 3515 farmers' death in between 2013 to 2017, approximately 2500 of the farmer suicides happened due to the drought or due to the failure of crop. The growing agrarian crisis in the state has resulted in the stagnation of the agricultural sector which is one of the major contributors towards the share in Karnataka's GSDP.

The agrarian sector in Karnataka has been neglected ever since IT-sector became the major source of revenue for the state. The degenerative farming methods and feeble policy structures have hampered the growth of the agricultural sector of Karnataka. The changing climate has made the situation worse for the farmers as frequent droughts have severely damaged the crops. There is a need of ensuring greater viability of agriculture and allied activities to increase rural incomes and also to focus on skill development to achieve job oriented growth and to solve the problems of agriculture.

Agricultural sector of Karnataka has been undergoing a crucial phase during the past few years. The trends in the sectoral composition of the State reveals a disturbing picture of the share of primary sector steeply going down and having reached a low of 16.4 percent during 2008- 09. There is the slow decline in the share of its workforce which is getting out of the sector in search of alternatives as a result the density of workers per unit of income generated is quite high and increasing. This implies that the State economy is shifting away from agriculture, which is a positive sign only if viewed from the point of view of structural changes, but is accompanied by serious negative externality associated factors with the farm sector livelihood. Wide spread distress in the sector is visible, Productivity and net real income generated in the farm sector has stagnated in the last decade. This has pushed more farm families under the poverty line. Consequently, farmers distress has been increasing in the State of Karnataka.

The present need :

The immediate task is to enhance the net real income of the farmers with Long run growth rate of 4.5 percent per annum with sustainable growth. There is a need to reduce the cost of cultivation with an infusion of new technology. There is an urgent need in Karnataka to diversify agriculture through horticultural development where there is lot of scope for agribusiness. Increased value addition is possible through agribusiness. In this juncture Strengthening extension and markets through PPP is the need of the hour. Market support and modernization will go a long way in solving the problems.

Scope of Agribusiness in Karnataka:

1. Karnataka has varied agro-climate, which facilitates production of temperate, subtropical and tropical agricultural commodities.
2. There is growing demand for agricultural inputs like feed and fodder, inorganic fertilizers, bio-fertilizers.
3. Biotechnology application in agriculture have vast scope in production of seed, bio-control agents, industrial harnessing of microbes for banking products.
4. The livestock wealth gives enormous scope for products, poultry products etc.
5. Organic farming has highest potential in Karnataka as the pesticide and inorganic fertilizer application are less in Karnataka compared to industrial nations of the world. The farmers can be encouraged and educated to switch over for organic farming.
6. Production of vegetables and flowers under green house conditions cash is taken up to harness the experiment market.

7. The enhanced agricultural production throws open opportunities for employment in marketing, transport, cold storage and warehousing facilitates credit, insurance and logistic support services.

Agribusiness practices will be helpful in solving the farmers who are in distress. The following practices are helpful in this direction.

1) Agro-Processing

Forward linkages in the sector automatically spurs growth and productivity enhancement. Agro-processing will help value addition and most needed forward linkages to the farmers. Processing facilities may be developed at different locations in the State for selected crops and fruits particularly in grapes and sapota. These have to be spread according to commodities available for processing. This initiative if taken with the partnership of industrial houses with a guarantee for protection of the farmers interest by the state, can go a long way in enhancing the crop productivity and stepping up the growth in income. The agro based industries in the State mainly MSME sector are spread across all the 30 districts. Currently, there are about 54,905 agro processing units with an investment of Rs.4,42,879 Lakhs which have employed 3,24,148 manpower.

In the agribusiness and food processing sector Karnataka State is home to big players such as ITC, Nestle, Gujarat Ambuja, Britannia, Parle, Cargill India etc. A well-developed Agribusiness and Food Processing sector with higher level of processing and value addition helps in the reduction of wastage, promotes crop diversification, ensures better return to the farmers, promotes employment as well as increases export earnings. This sector is also capable of addressing critical issues of food security, food inflation and providing wholesome and nutritious food to the masses.

The State is one of the major producers of variety of horticulture crops. Fruits such as Sapota, Grapes, Pomegranate, Watermelon, Mango, Jackfruit, Papaya, Lime/ Lemon, Orange, Banana, Guava etc Vegetables such as Onion, Potatoes, Gherkins, Capsicum, Green Chilly, Tomato, Cucumber, Carrot, Beans etc Plantation & Spice Crops such as Coffee, Arecanut, Tamarind, Coconut, Vanilla, Black Pepper, Cloves, Cardamom, Dry Chilly, Turmeric, Cashewnut, Ginger, Garlic etc Flowers such as Rose, Jasmine, Gerbera, Carnation, Anthurium, Orchids, Lillies, Chrysanthemum, Tuberose, Crossandra, Aster, Marigold etc., are grown in Karnataka. Horticulture production area in the State accounts for about 16% of the total cultivable area. It includes plantation crops (45%), vegetables (23%), fruits (20%), spices (10%) and other commercial crops like flowers, medicinal and aromatic plants (2%). During the year 2013-14, the State has produced 66.26 Lakh MT of Fruits, 82.50 Lakh MT of Vegetables, 4.85 Lakh MT of Plantation Crops, 6.56 Lakh MT of Spices, 2.14 Lakh MT of Commercial Flowers, 11351 MT of Medicinal Plants, 14282 MT of Aromatic Plants.

Unfortunately in Karnataka, only about 1% of the total production of fruits and vegetables is currently being processed for value addition. About 25 – 30% of post harvest loss is estimated due to inadequate cold storage, required transport, poor handling, insufficient processing and other value addition facilities. At present there are only 98 cold storage units having 2.97 Lakh MT for handling fruits and vegetables. Of these units, 2 are in co-operative, 90 are in private and 6 are in public sector. Therefore, ample scope is available for investing to strengthen the cold storage and transportation facilities.

2) Agricultural Marketing

Agricultural marketing in the State needs that farmers should get the prices clearly emerging out of market forces and not managed by cartels of traders. Market margins and price spread should be within the acceptable limits by the farmers. The entire process of marketing should be farmer oriented to provide the producer required marketing freedom as envisaged in the new APMC Act. Market infrastructure both in terms of spread and quality should be the focus in solving the problems of farmers. E-tendering, restructuring of administration, active participation in procurement under MSP and MIS schemes will improve the effectiveness and provide most needed price support to the farmers.

3) Watershed Development

Watershed development is Integrated part of agricultural sector. It provides wider range of activities in agriculture, horticulture, fisheries and forestry. Watershed development is important especially for Karnataka since there is low irrigated area of 26% as against 39 % of national average. Development of rain fed assumes critical importance as more than 44% of crop production is from these areas.

4) Biotechnology

Application of Biotechnology in Agriculture involves scientific techniques such as Genetically Modified Organisms, Bt Cotton, Pest Resistant Plants. It helps in modifying plants, animals, and microorganisms and improve their agricultural productivity. This become a part of agribusiness in Karnataka.

5) Agriculture Marketing Reforms

Karnataka is one of the pioneering States in the country to have adopted the Model APMC Act mooted by the Government of India to bring in reforms in Agriculture Marketing. 100 major markets are brought under unified Rashtriya e-market service platform and farmers are provided with competitive prices. A total of 31 Lakh lots of agricultural produce worth Rs.13,593 Crore have been traded. 36,000 traders have been issued with single unified license, enabling them to trade in all APMCs in the state. This Karnataka model has got recognition in national economic survey. Some of the innovate reforms brought by the Department of Agriculture Marketing are: Implementation of E-tender system through Unified Market Platform in the APMCs which will provide for a trading platform, material accounting module, trade fulfillment module, fund processing module, document management module, master data management module, reporting and data module. Deposits needed for direct purchase reduced from Rs.50 to 5 Lakhs. Free to establish market under private sector, removing zonal restrictions. Exemption of market fee for new agricultural produce processing industries for a period of 10 years. Private markets will also be considered as procurement centers for MSP operations on case to case basis by issuing an executive order. The Department of Agricultural Marketing has announced incentives such as the rebate in the payment of market fee (only 70% of the market fee) by the licensee operating the direct purchase centre for food grains, fibers, pulses, spices etc. This provision is also available for contract farming arrangements for the purchase of commodities. However, the levy of market fee on perishables is abolished. To promote the warehouse based sales, the service provider need not pay any charges, fee to the Government/ APMC. The warehouse based sales licensee may let out the space in the warehouse to any licensed market functionaries to carry the whole sale trade. He will get the rental charges and service charges. Any person who is allotted a site in the market yard for setting up of cold storages, a rebate of 50% in sisal value is given. Any agriculture produce exported or caused to be exported by any person either on his own account or as an agent for another person from the market area to outside the country is exempted from the payment of market fee for a period of ten years.

6) Research & Development Strength of Karnataka

Karnataka is known for the location of some of the renowned institutions like Central Food Technological Research Institute (CFTRI), Mysore & Defence Food Research Laboratory (DFRL), Mysore, who are engaged in the Research & Development of food science, transfer of food technology for value addition of agriculture and horticulture produce. National Dairy Research Institute (NDRI), Bengaluru is engaged in the Research & Development in the field of Dairy Science. Indian Institute of Horticulture Research (IIHR), Bengaluru is engaged in the Research & Development of new varieties, value addition, post harvest management in the field of fruits, vegetables and other horticulture crops. In addition to the above national level institutes, the State Government has established four Universities of Agricultural Sciences at Bengaluru, Dharwad, Raichur and Shivamogga, One exclusive University for Horticulture Sciences at Bagalkot and an exclusive University for Animal Husbandry & Veterinary Sciences at Bidar to take care of the Research & Development activities.

Findings and Policy Recommendations

Several programs for agriculture agribusiness have been launched by the Government of Karnataka. Some of them are asfollows:

- Comprehensive Horticultural Development

- SuvarnaKrishi GramaYojana
- Bhoochetana and Bhoo Samruddhi.
- Krishi Bhagya
- Interest Free Farm Credit
- Krishi Yanthra Dhare
- E-marketing
- Ksheera Bhagya
- Savayava Bhagya
- Pashu Bhagya

Karnataka Agribusiness Development Corporation (KABDC) has been established as a Special Purpose Vehicle under the control of Karnataka State Agricultural Produce Processing & Export Corporation Limited (KAPPEC). KABDC will be responsible for handholding and facilitate all agribusiness and food processing investors willing to invest in the State. KABDC will be strengthened with requisite manpower drawn from different sectors such as Agriculture, Horticulture, Animal Husbandry, Fisheries, Food Processing etc., to facilitate sector specific investments.

With a view to increase the quality of horticulture produces by adopting new innovations and technologies, the Government of Karnataka has established a State-of the-Art Biotechnology Centre at Hulimavu, Bengaluru in an area of about 42.08 acres of land. The main objective of this centre is to guide farmers using new upcoming research and to provide better and high yielding and disease resistant planting materials. This centre is the first of its kind in the country under public sector aiming at integrating many spheres of biotechnology for the cause of horticultural development exclusively. The State is also encouraging the private sector participation in this area with necessary support and encouragement.

Karnataka Agribusiness & Food Processing Policy 2015

Government had formulated Industrial Promotion Policy for Agro Food Processing Industries in June 2003 and the Integrated Agribusiness Development Policy during March 2011. The Agribusiness and Food Processing sector in the State requires a special focus and thrust. There is a need to have an exclusive Agribusiness and Food Processing Policy to give focused attention for the overall development of Agribusiness and Food Processing sector to give value addition to farm produce for the benefit of farmers. Agribusiness and Food Processing sector in the State has witnessed a steady growth. Exports have increased from Rs.5,158 crore in 2010-11 to Rs.11,231 crore in 2014-15 registering a Compounded Annual Growth of 21% (CAGR).

There is a need to integrate and promote the activities involved in the field of Agriculture, Horticulture, Animal Husbandry, Fisheries, Food Processing, Agribusiness, Warehousing & Logistics sectors under a unified policy by giving focused attention for the overall development of Agribusiness & Food Processing sector to give value addition to farm produce for the benefit of farmers and other stakeholders.

Testing of Hypotheses

Based on the following study Hypotheses 1. H₀ is tested and rejected, H₁ alternative hypotheses is accepted. 2. H₀ is tested and rejected, alternative H₁ is accepted. 3.H₀ is rejected and H₁ is tested and accepted. Hence agribusiness is a panacea for the problems of agriculture.

Conclusion:

Agribusiness and Food Processing Sector in the State is still in nascent stage and require support and encouragement. In order to give fillip to the sector in all parts of the State, the entire State has been classified as the single zone and the incentives and concessions proposed will be applicable equally in all parts of the

State. This will facilitate the growth and development of agribusiness and food processing industries in all parts of the State.

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