

Agribusiness Management: Definition and Concept

Agribusiness include not only that productive piece of land but also the people and firms that provide the inputs (i.e. Seed, chemicals, credit etc.), process the output (i.e. Milk, grain, meat etc.), manufacture the food products (i.e. ice cream, bread, breakfast cereals etc.), and transport and sell the food products to consumers (i.e. restaurants, supermarkets etc.).

Farmers found it increasingly profitable to concentrate on production and began to purchase inputs they formerly made themselves. This trend enabled others to build business that focused on meeting the need for inputs used in production agriculture such as seed, fencing, machinery and so on. These farms involved into the industries that make up the “agricultural inputs sector”. Input farms are major part of agribusiness and produce variety of technologically based products that account for approximately 75 per cent of all the inputs used in production agriculture.

At the same time the agriculture input sector was evolving, a similar evaluation was taking place a commodity processing and food manufacturing moved off the farm. The form of most commodities (wheat, rice, milk, livestock and so on) must be changed to make them more useful and convenient for consumers. For ex. consumers would rather buy flour than grind the wheat themselves before backing a cake. They are willing to pay extra for the convenience of buying the processed commodity (flour) instead of the raw agriculture commodity (wheat).

During the same period technological advance were being made in food preservation method. Up until this time the perishable nature of most agriculture commodities meant that they were available only at harvest. Advance in food processing have made it possible to get those commodities all throughout the year. Today even most of the farm families use purchased food and fiber products rather than doing the processing themselves. The farms that meet the consumers demand for greater processing and convenience also constitute a major part of agribusiness and are referred to as the processing manufacturing sector.

Features and Scope of Agribusiness:

It is apparent that the definition of agriculture had to be expanded to include more than

production. Farmers rely on the input industries to provide the products and service they need to produce agricultural commodities. They also rely on commodity processors, food manufactures, and ultimately food distributors and retailers to purchase their raw agricultural commodities and to process and deliver them to the consumer for final sale. The result is the food and fiber system.

The food and fiber system is increasingly being referred to as “agribusiness”. The term agribusiness was first introduced by Davis and Goldberg in 1957.

Agribusiness represents three part system made up of;

- (1)The agricultural input sector
- (2)The production sector
- (3)The processing-manufacturing sector

To capture the full meaning of the term “agribusiness” it is important to visualize these sectors as interrelated parts of a system in which the success of each part depends heavily on the proper functioning of the other two. It was already indicated that agribusiness is a complex, system of input sector, production sector, processing manufacturing sector and transport and marketing sector. Therefore, it is directly related to industry, commerce and trade, Industry is concerned with the production of commodities and materials while commerce and trade are concerned with their distribution.

Today the business has become very competitive and complex. This is mainly due to changing taste and fashion of the consumers on the one hand, and introduction of substitute and cheaper and better competitive goods, on the other. The old dictum “produce and sell has changed overtime into “produce only what customers want”. In fact, knowing what customers want is never simple. Nevertheless, a farmer operator/farmer manager has to give proper thought to this consideration in order to make his business a successful one. The important requisites for success in a modern business are:

1. **Clean objectives:** Determination of objectives is one of the most essential pre requisite for the success of business. The objectives set forth should be realistic and clearly defined. Then, all the business efforts should be geared to achieve the set objectives. In a way, objectives are destination points for an

agribusiness. As a traveler must know here he/she has to reach, i.e. destination similarly business also must know what objectives.

2. **Planning:** In simple words, planning is a pre-determined line of action. The accomplishment of objectives set, to a great extent, depends upon planning itself. It is said that it does not take time to do thing but it takes time to decide what and how to do. Planning is a proposal based on past experience and present trends for future actions. In other words, it is an analysis of a problem and finding out the solutions to solve them with reference to the objective of the farm.
3. **Sound organization:** An organization is the art or science of building up systematic whole by a number of but related parts. Just as human frame is build up by various parts like heart, liver, brain, legs etc. similarly, organization of business is a harmonies combination of men, machine material, money management etc. so that all these could work jointly as one unit, i.e. "business" "the agribusiness". Organization is, thus such a systematic combination of various related parts for achieving a defined objective in an effective manner.
4. **Research:** As indicated earlier, today the agricultural production philosophy "produces what the consumer want". "Consumers" behaviour is influenced by variety of factors like cultural, social, personal and psychological factors. The business needs to know and appreciate these factors and then function accordingly. The knowledge of these factors is acquired through market research. Research is a systematic search for new knowledge. Market research enable a business in finding out new methods of production, improving the quality of product and developing new products as per the changing tastes and wants if the consumers.
5. **Finance:** Finance is said to be the life-blood of business enterprise. It brings together the land, labour, machine and raw materials into production. Agribusiness should estimate its financial requirements adequately so that it may keep the business wheel on moving. Therefore, proper arrangements should be made for securing the required finance for the enterprise.

6. Proper plant location, layout and size: The success of agribusiness depends to a great extent on the location. Where it is set up. Location of the business should be convenient from various points of view such as availability of required infrastructure facilities, availability of inputs like raw materials, skill labour, nearer to the market etc.

Objectives of Agribusiness:

The objectives of Agribusiness are as;

- To develop a competitive and sustainable private sector led agribusiness sector, particularly in high value areas of horticulture, livestock and fisheries and thereby support rural development, employment generation and poverty alleviation.
- Increase productivity / reduce yield gaps
- Promote commercially oriented agriculture activity
- Advance high potential sectors: horticulture, livestock and fisheries

Management:

Definition and Concept: Management is defined as, “A process of developing and maintaining an environment by which people (i.e. manager, farmers and stakeholders etc.) working together in a group efficiently accomplish agribusiness objectives”. Having gone through the above definitions of management, now it can be defined as getting things done through others/subordinates. In other words, it is a process of various functions like planning, organizing, leading and controlling the business operations in such a manner as to achieve the objectives set by the business firm. It consists of all activities beginning from business planning to its actual survival. Hence the business men must take sufficient care in the initial stages to selected suitable location for his business. The sine of the business is also important because the requirement for infrastructural facilities and inputs varies as per the size of the business. The requirement for raw materials, for example, will be less in a smaller sized firm than a larger size firm.

1. **Efficient Management:** One of the reasons for failure of business often attributed to as their poor management or inefficient management. The one man, i.e. the proprietor may not be equally good in all areas of the business. Efficient businessman can make proper use of available resources for achieving the objectives set for the business.

2. **Harmonious relations with the workers:** In an agribusiness organization, the farmer operator occupies a distinct place because he/she is the main living factor among all factors of production. In fact, it is the human factor who makes the use of other non-human factors like land, machine, money etc. Therefore, for successful operation of

business, there should be cordial and harmonious relations maintained with the workers/labors to get their full cooperation in achieving business activities.

Traditional concept of management restricted management to getting things done by others. According to modern view, management covers wide range of business related activities. It is considered as a process, an activity, a discipline and effort to coordinate control and direct individual and group effort towards attaining the cherished goal of the business. Management may also play the role as science, as an art, as a profession and as a social process.

As a participant in any management programme, one may either be a practicing manager or aspiring to be one. Responsibility and performance are really the key words in defining a manager's role. Performance implies action, and action necessitates taking specific steps and doing the following tasks to produce desired results.

1. Providing purposeful direction to the firm.
2. Managing survival and growth.
3. Maintaining farm's efficiency.
4. Meeting the challenge of increasing competition.
5. Managing for innovation
6. Coping with growing technological sophistication.
7. Maintaining relation with various society segments etc.

An agribusiness is a social institution. Its very existence is dependent upon its harmonious relationship with various segments of the society. This harmonies relationship originates from the farm's positive responsiveness to the various segments and is closely associated with the tasks a manager is expected to perform. The process of evolving this mutual relationship between agribusiness farms and various interest groups begins by acknowledging the existence of the responsibilities of manager. These responsibilities are towards consumers, suppliers, distributors, workers, financiers, government and the society.

Elements of Management: Management is based on following elements;

1. **Objectives:** Objectives are the ends towards which activities are aimed. For each overall goal that one develops, there should be specific, measurable, appropriate, and realistic and time bound (SMART) objectives. These objectives relate to problem statement and desirable anticipated results that represents changes in knowledge, attitude or behaviour of project staff and beneficiaries. The objectives should be used to develop evaluation criteria to ensure that evaluations conducted later in the programme will measure the results that projects intend to achieve.

Characteristics of Objectives: Are as follows;

- i. Relevant: When objectives fit into the overall general policy or help to solve the problem.
 - ii. Feasible: When it is possible to achieve, that is, the resources (land, labour, capital and organization) are available and constraints can be removed.
 - iii. Observable: When results can be clearly seen.
 - iv. Measurable: An objective is measurable when results can be stated in number i.e. Mortality will be deducted by 30% is measurable.
2. **Means:** Are the ways/ tools/ instruments (Government, NGO etc.) to be used for successful implementation, monitoring, controlling and evaluating planned activities of resources.
 3. **Resources:** Are the inputs (physical, financial or human) used by means for timely and efficient completion of planned activities of resources.
 4. **Work Plan:** It shows the sequence of activities which lead to achieve the objectives of business enterprise.

Functions of Management: Managerial activities consists of five functions

namely planning, organizing, staffing, directing and controlling as follows;

1. **Planning:** Planning is an attempt to prepare for future by assessing existing resources and capabilities and then determining future line of action with a view to achieve organizational objectives. It means deciding in advance what is to be done, how and where is to be done, who will do it and how results are to be evaluated.

Planning is the basic function of management. Proper planning is must for ant business activity. The affairs of any organization are likely to be affected without thought out plan. Planning is necessary to ensure proper utilization of human, financial and physical resources to achieve the objectives of enterprise.

Planning offers many advantages to an enterprise as follows;

- i. **Planning give direction on objectives:** Activities of an organization get a definite objective to move due to planning without planning everything may be haphazard and purposeless.
- ii. **Planning focuses attention on activities:** Planning helps to focus attention on objectives. This helps in their proper pursuit and fulfillment.
- iii. **Planning helps to affect the change and uncertainty:** Since planning is done with the object of off-setting change and uncertainty, it helps to eliminate risk and avoid loss caused by changing factors.
- iv. **Planning facilitate control:** Managerial control are facilitated by the planning because the actual performance can be compared with planned performance.
- v. **Planning helps in the economical operations:** Planning lays down procedures, policies, objectives and operations. The staff gets a clear-cut idea about an operation, targets and goals.
- vi. **Planning accounts for growth:** Growth of a firm and expansion of its activities are greatly facilitated. This is so because the firm has a clear-cut idea about its future activities. This means that the time and cost of growth are minimum.
- vii. **Planning helps to avoid bottlenecks in production:** Since everything is planned scientifically (i.e. timely and appropriate provision of land, labour, capital and organization), bottlenecks are avoided and production goes on smoothly.

Steps in Planning: Are as follows;

- i. **Establishing objectives:** The first step in planning itself is to establish planning objectives for the entire enterprise and then for each subordinates unit. Objectives specifying the results expected indicate the end points, of what is to

be done, where primary emphasis is to be placed and what is to be accomplished by the network of strategies, policies, procedures, rules, budget and programmes. Enterprise objectives should give direction to the nature of all major plans which, by reflecting these objectives, in turn, control the objectives of subordinate departments, and so on, down the line. The objectives of other departments will be better framed, however, if sub-division manager understand the overall enterprise objectives.

- ii. **Premising:** A second logical step is to establish and obtain agreement to utilize and disseminate critical planning premises. These are forecast data of a factual nature, applicable to basic policies and existing company plans. Premises, then are planning assumptions, in other words, expected environment of plans in operations. This step leads to one of the major principle of planning, the more individuals charged with planning understand and agree to utilize consistent planning premises, the more coordinated enterprise planning will be. Forecasting is important in premising. Apart from forecasting the basic economic data, forecasting of future, economic and social environments also affects the project, and are equally essential.
- iii. **Determining alternative courses:** The third step in planning is to reach for and examine alternative course of action. There is seldom a plan for which reasonable alternatives do not exist and quite often an alternative that is not obvious proves to be the best. The most common problem is not finding alternatives, but reducing the number of alternatives so that the most promising may be analyzed. Even with mathematical techniques and the computer, there is limit to the number of alternatives that may be examined. It is, therefore, usually necessary for the planner to reduce by preliminary examination the number of alternatives to those promising the most fruitful possibilities or by mathematically eliminating through the process of approximation, the least promising ones.
- iv. **Evaluating alternative courses:** Having sought out alternative courses and examined their strong and weak points, the fourth step is to evaluate them by weighing the various factors in the light of premises and goals. One course may

appear to be the most profitable but require a large cash outlay and a slow payback: another may be less profitable but involve less risk; still another may better suit the agribusiness organization's long range objectives.

- v. **Selecting the course of action:** The fifth planning step, selecting the course of action, is the point at which the plan is adopted to the real point of decision making. Occasionally an analysis and evaluation of alternative courses will disclose that two or more are advisable and the manager may decide to follow several courses rather than the best course.
- vi. **Formulating a derivative plans:** At the point where decision is made, planning is seldom complete, a sixth step is to formulate derivative plan. There are almost invariably derivative plans required to support the basic plan.
- vii. **Numbering plans by budgeting:** After decisions are made and plans are set, the final step is to give them meaning that is numbered them to budgets. Each departments or programme of agribusiness or other enterprise can have its own budgets, usually of expenses and capital expenditure, which tie into the over-all budget. If planned well, budgets become a means of adding together the various plans and also important standards against which planning progress can be measured.

2. Organizing: Organizing is the arrangement and allocation of work, authority and resources in an effective and efficient way. To organize an agribusiness, is to provide it with everything useful to its functioning-land, labour, capital and organization and other managerial techniques on farm. Organizing is an important function of management by management combines the human and material resources. This function must be performed when an activity involves two or more persons. Organizing involves determining the activities to be done, grouping the activities, assigning the grouping activities to be individuals and creating a structure of authority and responsibility among the people to achieve the objectives of the enterprise. Urwisch defines organizing as determining what activities are necessary in arranging them in groups which may be assigned to individuals. The process of organization involves the determination of authority and responsibility relationships in the organization.

- 3. Staffing:** It involves filling positions in agribusiness. It is done by identifying work place requirements, locating, recruiting, selecting, placing, appraising, , planning the careers of, compensating or training or otherwise develop both candidates and current job holders to accomplish their tasks efficiently. After planning and organizing the total activities to be done, management is in position to know that manpower requirements of agribusiness enterprise at different levels in the organization structure. After determining the number and type of personnel to be selected to fill different jobs, management starts with recruiting, selecting and training the people to fulfill the requirements of agribusiness enterprise depending upon size, nature and type of enterprise. In short staffing function includes the process by which the right person is placed in a right organizational position.
- 4. Directing:** Managers have stimulate action by giving orders to sub ordinates and by supervising them as they go with their work. Directing was identified by Hanery Fayol with Command G.R. Terry identified directing as moving to action and supplying stimulating power to group of persons. Directing embraces three important components;
- i. Issuing of orders and instructions to the subordinates.
 - ii. Guiding and teaching the subordinates the proper method of doing work.
 - iii. Supervising the subordinates to ensure that these works conforms to the plans.

Thus directing process involves the following functions;

- a. Leadership:** Leadership is the process by which a manger guides and influences the work of others in choosing and attaining the specified goals by mediating between the individuals and organization in such a manner that both will obtain maximum satisfaction.
- b. Communication:** A manager who is providing leadership to his subordinates has to tell them what they are required to do, how to do it and when to do it. He has to create an understanding in the minds of subordinates of the work to be done. This is done by the process of communication. Communication is the transmission, receipt and understanding of ideas, instructions or information.
- c. Motivation:** It means inspiring the personnel with zeal to work and cooperate for the

accomplishment of common objectives. It is function of manager to motivate the people working under him to perform the work assigned effectively and efficiently.

d. Supervision: It is an essential element in direction process. The manager has to see to it that subordinates work effectively to accomplish the tasks that he has entrusted them to do. Supervision is the process by which conformity between planned and actual results is maintained. It is essential to ensure that subordinates are doing as they are directed.

Concept of Directing: According to Koontz and O'Donnel Directing is a complex function that includes all those activities which are designed to encourage subordinates to work effectively both in the short and long run. Directing is regarded as the dynamic function of the management because it infuses life into plans as well as organization. Direction is the inter-personal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to attainment of enterprise objectives. Directing is the heart of management process because it is concerned with initiating action. Management is the art of getting things through other people and to do that management plans and organizes and thereafter stimulate action by giving orders to subordinates.

Salient Features of Directing: Following are some of the important features of directing;

i. Directing is a universe function. The work of directing will have to be performed at all levels of management hierarchy. It is an essential dynamics activity and every executive has to motivate, lead, communicate and supervise his subordinates to get the work done for the accomplishment of organizational objectives.

ii. Directing is a dynamic function. It is continuous and dynamic function. With changes in plans and organizational relationships, the executive will invariably have to change the methods and techniques of direction.

iii. It integrates different management functions. Directing provides meaning to all basic functions of management and provides material for control. Directing links the various management functions viz planning, organizing and staffing with the controlling functions.

iv. It acts as the nucleus of all operations. Directing is the process around which all other activities and performance revolve. Directing is the nucleus around which the

practices of management are built. As a performance oriented function it ensures the continuity of all operations.

v. It essentially involves human relations. Direction is concerned with relationships between people working in the organization. Executive must strike a balance between personal interest of the employees and the organization.

Principles of Directing: The executive should try his best to motivate subordinates by leading them to attain the enterprise objectives at minimum cost. Otherwise direction would prove ineffective and futile. Directing function of management can be sound and effective only when it is built on accepted principles. The basic principles are;

i. Unity of command. The management must ensure that a subordinate receive orders from and be accountable to only one superior at a time to avoid division of accountability and also conflicting orders.

ii. Direct supervision: Executive for an objective method of supervision should have direct contact with his subordinates in addition to formal contact. Direct supervision is necessary for the following reasons;

a. To infuse the sense of participation.

b. To boost employee morale.

c. To develop effective feedback of information.

iii. Direct Techniques: An executive had to depend on appropriate techniques of direction depending upon the need of the hour and situation.

iv. Direct Managerial Communication: Direct flow of information that encourages two way communications is the most effective means of direction. Effective direction should always give priority to direct flow of information.

v. Effective Leadership: Effective leadership is the pre-requisite for effective direction. The leader must persuade and motivate subordinates for achieving maximum performance.

vi. Effective Participative Management: Direction can be effective and fruitful only when it is democratic and participative in nature. Direction can be very effective when there is harmony between the objectives of employees and the organization. Direction is always given through a formulize process of delegation, communication

of orders. The order may be written or verbal or general or operational or definite or procedural.

5. Controlling: It is measuring and correcting of activities of subordinates to ensure that events conform to plans. It measures performance against goals and plans, shows where negative deviation exist, by putting in motion actions to correct deviations, help ensure the accomplishment of plans. Plans guide managers in the use of resources to accomplish specific goals, then activities are checked to determine whether they conform to the plans. Controls are indicators of performance and set up to help measure progress against plan. The supervisor has to operate the controls and he should be able to set up, operate and adjust the controls according to need. Before setting up or designing controls is to have an assessment of the overall assignments and determine which activities are more important. The overall areas which are important and controls have to be set up are manpower, material, quality of work, quantity of work, time, space and methods. Once the areas of controls have been established the supervisor must find or set up standard for each activity in each area. Standards are the measuring devices for the activity. A supervisor wishes to set up standard for production work. First he will like to review the past records and determine what has been accomplished in the past under conditions similar to present conditions. Supervisor needs certain indicators which tell him how well his team is doing in relation to standards as frequently as possible. These indications must express a relationship between the standard and performance.

Forms of Business Organizations:

Introduction: Business concerns are established with the objective of making profits. They can be established either by one person or by a group of persons in the private sector by the government or other public bodies in the public sector. A business started by only one person is called sole proprietorship. The business started by a group of persons can be either a Joint Hindu Family or Partnership or Joint Stock Company or a Co-operative form of organization.

Thus there are three legal forms of agribusiness organization

1. Sole Proprietorship
2. Partnership Firm
3. Joint Stock Company or Corporation