

Investment plan for an agro based industry

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Abstract

Agriculture plays a vital role in Indian economy. Over 58% of rural household depends on agriculture as their principal means of livelihood is agriculture. It is an investment plan to set up such an organization which will provide all the agro based facilities & services under one roof. It provides facilities like Land banking, Transportation, communication & Technology, Marketing & Awareness, Banking & Insurance, Testing's of fertilizers & soils etc. The plan will work on basis of PPP model (Public Private Partnership) as well as by forming cooperative society along with the aim of social welfare to generate funds for the organization.

Keywords: Sustainable Financing, Land Banking, Analytical Services, Warehouses, photovoltaic. Agro, Public Private Partnership

1. Introduction

Agriculture plays a vital role in Indian economy. Over 58% of rural household depends on agriculture as their principal means of livelihood is agriculture. It is an investment plan to set up such an organisation which will provide all the agro based facilities & services under one roof. It provides facilities like Land banking, Transportation, communication & Technology, Marketing & Awareness, Banking & Insurance, Testing's of fertilizers & soils etc. The plan will work on basis of PPP model (Public Private Partnership) as well as by forming cooperative society along with the aim of social welfare to generate funds for the organisation.

1.1 Some definitions of agro-based industries

1. "Agro-based industries are those, which are involved in supplying the farm with agricultural inputs besides handling the products of the farm".
2. "Agro-based industries are those industries which have either direct or indirect links with agriculture".
3. "An agro-industry is an enterprise that processes raw materials, including ground and tree crops as well as livestock. The degree of processing can vary tremendously, ranging from the cleaning and grading of apples to the milling of rice, to the cooking, mixing, and chemical alteration that create a texturized vegetable food. Agro-industries can be roughly categorized according to the degree the raw material is transformed. In general, capital investment, technological complexity, and managerial requirements increase in proportion with the degree of transformation.

1.2 Objectives of Plan

- (1) To make the progressive & prosperous India in realistic sense through agro based activities.
- (2) To provide all services at one place: - our organization is providing all the agro services under one roof so it can save time and money of big as well as small farmers
- (3) Proper utilization of natural resources in an effective manner. Our organisation is utilizing natural resources in

an Effective & useful manner with view of sustainable development.

- (4) To encourage organic farming with the view of sustainable development of rural areas.
- (5) To decrease the migration rate of people by generating proper employment opportunities our organisation is decreasing migration of rural people towards urban area.

1.3 Services Covered

1. Banking
2. Agricultural research laboratory
3. Warehousing & distribution services
4. Insurance
5. Marketing
6. Transportation
7. Communication
8. Sustainable Agriculture

1.4 Banking

- (a) **Sustainable Financing:** The bank as well as other financial institutions can convert their CSR into high impact business model by engaging in sustainable financing. This would mean financing projects that have environmental & social consequences along with economic impact & profits. Such responsible banking is also closely linked to the new market realities. Social responsible banking would mean that they consider the effects of their lending & investment decisions on the society & the environment.
- (b) **Land Banking:** Land banking is based on the prospect of urban areas expanding at the expense of rural areas, in various parts of the world agricultural land is expanding at the expense of virgin land. The purchase of virgin land that has been identified suitable for agriculture because of its climate, topography and soil properties. Such lands are often rather far away from existing infrastructure when purchased by the land banking investor, therefore prices being low. The investor anticipates that, because of the area's natural productive potential, an agricultural infrastructure (sufficient roads, specialized contractors,

grain storages) will develop, with more land put under cultivation and land values multiplying.

Agricultural research laboratory

The Agricultural Analytical Services Laboratory provides a wide range of testing programs for soils, water, plants, bio-solids and other agricultural materials. Our goal is to promote practical, innovative, and affordable solutions to existing and emergent issues related to nutrient management and environmental quality. We provide analytical testing and research-based recommendations to support sustainable resource management decisions. The lab offers comprehensive analyses of soil, water, plant tissue, manure, compost, and other agricultural materials. The programs are available to all rural people, schools & colleges.

1.5 Warehousing & distribution services

A warehouse is a commercial building for storage of goods. Warehouses are used by manufacturers, importers, exporters, wholesalers, transport businesses, customs, etc. They are usually large plain buildings in industrial areas of cities and towns. They usually have loading docks to load and unload goods from trucks. Sometimes warehouses load and unload goods directly from railways, airport, or seaports. They often have cranes and forklifts for moving goods, which are usually placed on ISO standard pallets loaded into pallet racks.

1.6 Sustainable Distribution & Warehousing

Sustainable distribution refers to the macroeconomic allocation of the objects which are to be distributed (goods, services, rights, fees and information) while integrating sustainability issues without compromising any of the conventional purposes that distribution has to fulfill. Commonly, distribution means all the processes that occur between producers, retailers and customers. The functions of distribution are physical transportation, storage and warehousing, packaging, labeling, and reverse logistics. Warehousing is one of the main spheres of logistics. The very broad meaning of it is storage of finished goods or materials (raw, packing, components) for manufacturing, agricultural or commercial purposes. In fact, warehousing contains numerous functions, like acceptance of products (loading, unloading), inspection, and proper storage. It is the whole system (warehouse management system) that includes warehouse infrastructure, tracking systems and communication between product stations.

Sustainable applications in warehousing; one of the most sustainable trends in storage solutions is the Just In Time technique. It means product delivery directly from supplier to producer without warehousing. But this system has quite limited application as the distances between intermediaries are growing with the globalization process of the world economy. Modern logistics cannot survive without warehousing service, but various sustainable modifications of warehousing infrastructure can be introduced.

There are some basic sustainable attributes available for the warehouse applications that are able to reduce energy consumption and the amount of carbon emission:

- **Solar photovoltaic roof panels:** generation of energy from a renewable source, minimizing the need for fossil fuels and reducing the dependency on the electrical grid

distribution system. Additionally the energy produced is free of carbon emissions.

- **By optimizing architecture of warehouses,** increased natural daylight can reduce the need for electric lights.
- **Ground source heat pumps:** uses the ground's constant temperature to supply heating and cooling systems for office buildings.
- **Solar thermal collectors:** create free hot water in the summer and deliver hot water in the winter.
- **Energy efficient light systems equipped with motion sensors:** environmentally friendly reduction of storage costs
- **Rainwater harvesting Etc.**

1.7 Insurance

Insurance is a means of protection from loss. It is a form of risk management primarily used to hedge against the risk of a contingent, uncertain loss.

An entity which provides insurance is known as an insurer, insurance company, or insurance carrier. A person or entity who buys insurance is known as an insured or policyholder. The insurance transaction involves the insured assuming a guaranteed and known relatively small loss in the form of payment to the insurer in exchange for the insurer's promise to compensate the insured in the event of a covered loss. The loss may or may not be financial, but it must be reducible to financial terms, and must involve something in which the insured has an insurable interest established by ownership, possession, or pre existing relationship.

1.8 Need for crop insurance

1. For Farmer

- Can avoid the loss incurred due to vagaries of weather,
- Pest and Diseases
- Fire
- Market Prices
- Other unpreventable losses

2. For Banks

- Increasing the prepayment capacity of debtor
- Avoiding the risk of nonpayment in events of crop damage of failure

Crop insurance is purchased by agricultural producers, including farmers, ranchers, and others to protect themselves against either the loss of their crops due to natural disasters, such as hail, drought, and floods, or the loss of revenue due to declines in the prices of agricultural commodities. The two general categories of crop insurance are called crop-yield insurance and crop-revenue insurance.

1.9 Marketing

The sustainability movement reflects an awakening of society to a growing heart-felt need -- a need to care about others as well as ourselves and to care about future generations as well as our own. We are beginning to realize that our quality of life today is not just a matter of how much money we earn or "stuff" we acquire, but also reflects the quality of our social interrelationships with other and our spiritual interconnections with those of the future. A life of quality is one in which we are able to apply the "golden rule" among, as well as within, generations.

How can farmers who pursue the goals of sustainability survive, and hopefully thrive, in the current hostile economic environment? The answer is not in farming more efficiently not competing with industrial farming systems but instead in farming more effectively doing the things industrial systems can't do. Those who seem to be most successfully pursuing sustainability almost always tell of beginning their quest by rethinking farming from the ground up.

Marketing is the study & management of exchange relations. The activities set of institutions & processes for creating, communicating, delivering, and exchanging offerings that have customers, clients, partners, and society at large.

1.10 Transportation

Transport needs to meet the needs of the communities & economies they service, providing people mobility & access to markets & opportunities. Taking a more strategic approach can maximize the contribution made by rural transportation networks to communities and economies.

2. Communication

Agricultural Communication is the application of research and new knowledge to agricultural practices through experts. The field of 'communication' now encompasses a wider range of communication and learning activities organized for rural people by educators from different disciplines, including agriculture, agricultural marketing, health and business.

2.1 Sustainable Agriculture

- Provides alternative buyers to Agricultural wholesale market under APMC Regulations.
- Introduce Contract farming to farmers.
- Possibility of quality agricultural inputs and sound technical advice.
- Reduce Exploitation of farmers at wholesale market.
- Farmer's organizations like BKU welcome the reform.

2.2 Farmers form group for marketing of their produce

- Take advantage of common transportation, storage, access to information, bargaining,
- Group can go in for backward linkage and forward linkage
- Group can directly sell to hotels, hostels, restaurants etc
- Groups can take advantage of Government scheme

2.3 Sources of Funds

Public private partnership

Public-private partnership (PPP, 3P or P3) is a government service or private business venture that is funded and operated through a partnership of government and one or more private sector companies. Public-private partnership involves a contract between a public sector authority and a private party, in which the private party provides a public service or project and assumes substantial financial, technical and operational risk in the project. In some types of PPP, the cost of using the service is borne exclusively by the users of the service and not by the taxpayer. In other types (notably the private finance initiative), capital investment is made by the private sector on the basis of a contract with government to provide agreed services and the cost of providing the service is borne wholly or in part by the government.

Government contributions to a PPP may also be in kind (notably the transfer of existing assets). In projects that are aimed at creating public goods like in the infrastructure sector, the government may provide a capital subsidy in the form of a one-time grant, so as to make the project economically viable. In some other cases, the government may support the project by providing revenue subsidies, including tax breaks or by guaranteed annual revenues for a fixed time period. In all cases, the partnerships include a transfer of significant risks to the private sector, generally in an integrated and holistic way, minimizing interfaces for the public entity. An optimal risk allocation is the main value generator for this model of delivering public service.

2.4 Farmer's cooperative society

A cooperative (also known as co-operative, co-op or coop) is an autonomous association of people united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled business. Cooperatives include non-profit community organizations and businesses that are owned and managed by the people who use their services (a consumer cooperative); by the people who work there (a worker cooperative); by the people who live there (a housing cooperative); hybrids such as worker cooperatives that are also consumer cooperatives or credit unions; multi-stakeholder cooperatives such as those that bring together civil society and local actors to deliver community needs; and second and third tier cooperatives whose members are other cooperatives. It was estimated that in 2012 approximately one billion people were members of at least one cooperative and that the turnover of the largest three hundred cooperatives in the world reached \$2.2 trillion — which, if they were to be a country, it would make them the seventh largest.

In short, a coop can be defined as 'a jointly owned enterprise engaging in the production or distribution of goods or the supplying of services, operated by its members for their mutual benefit, typically organized by consumers or farmers.' Cooperative businesses are typically more economically resilient than many other forms of enterprise; with twice the number of co-operatives (80%) surviving their first five years compared with other business ownership models (41%). Cooperatives frequently have social goals which they aim to accomplish by investing a proportion of trading profits back into their communities. As an example of this, in 2013, retail co-operatives in the UK invested 6.9% of their pretax profits in the communities in which they trade as compared with 2.4% for other rival supermarket.

2.5 Funds from Investors

Investors can be invited who will invest some portion of fund as well as will play vital role for CSR.

Agriculture plays a big role in the Indian economy. Its performance sets the speed of growth in the economy as a whole. Indian agriculture is still in the state of mustiness, the per capita productivity in agriculture is less than in industry. Several industries in India get raw material for production from agriculture industry like cotton and jute textile industries, sugar, vanaspati, etc. are directly dependent on agriculture. Handlooms, spinning oil milling, rice thrashing, etc. are various small scale and cottage industries, which are dependent on agriculture sector for their raw material. This

highlights the importance of agriculture in industrial development of the nation and when any farmer gets all services under one roof, he definitely devote his valuable time to farming only. It will increase his capacity of work and output.

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