

Agriculture Startups- Challenges and Mitigation Measures in COVID 19

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SUMMARY

All over the world, incubators were receiving attention for developing new enterprises in the fields of technology, service, business ideas etc. in research institutions and universities. The Government of India has also attempted to rejuvenate the technology and business development ecosystem in various sectors through its rejuvenat All over the world, incubators were receiving attention for developing new enterprises in the fields of technology, service, business ideas etc. in research institutions and universities. The Government of India has also attempted to rejuvenate the technology and business development ecosystem in various sectors through its rejuvenated flagship programmes. The Agriculture sector which, as per the Indian Economic Survey 2019, employs over 42.1 per cent of the Indian workforce and contributes around 15-16 percent to the country's GDP, has its own unique ecosystem and opportunities in the realm of business. The article moves with the pros and cons in agristartups ecosystem, its challenging situation in COVID 19. Discussing the real and virtual of it, the concluding remarks says that, Government within limited resources can help them to accelerate by providing them timely fund assistance which will help the startups to cope up with financial tough time and reviving the agriculture sector with innovative startups concern with marketing functionaries like storage, transportation, logistic, processing and value addition, finance and market information system.

INTRODUCTION

The Agriculture sector which, as per the Indian Economic Survey 2019, employs over 42.1 per cent of the Indian workforce and contributes around 15-16 percent to the country's GDP, has its own unique ecosystem and opportunities in the realm of business. The article moves with the pros and cons in agristartups ecosystem, its challenging situation in COVID 19. Discussing the real and virtual of it, the concluding remarks says that, Government within limited resources can help them to accelerate by providing them timely fund assistance which will help the startups to cope up with financial tough time and reviving the agriculture sector with innovative startups concern with marketing functionaries like storage, transportation, logistic, processing and value addition, finance and market information system.

Covid-19 has sent the startup world into a tailspin. Supply chain disruptions have threatened the supply of key components and ingredients and venture capital funds have signaled a pullback in activity with some startup valuations already dropping as much as 40%. And, looking further out, business growth predictions are increasingly uncertain as the ability for end-users to afford to invest in new tools and services will likely be impacted by the expected ensuing economic recession resulting from the pandemic. Agtech startups' ability to succeed through the pandemic is only as good as a farmers' willingness to continue purchasing their products and services. The farming industry is dealing with its own set of problems from uncertainty in supply and demand to labor shortages to family needs and personal health. Agriculture has always been the backbone of our country. Despite India making rapid progress in all the other sectors, agriculture remains one of the major industries. Today, multiple startups are trying to change the landscape of agriculture in India with the use of innovative business models. They are working on various technologies that not only create a viable business, but also will be able to help improve farmers' income.

The major problems which farmers face are the lack of information on farm inputs, unorganised credit and absence of market linkages. The farm to fork food value chain is extremely long and contains multiple stakeholders which result in low value realization for farmers. The farmers have to use traditional channels to purchase resources and raw materials like seeds, fertilizers, and other agri-based products. Since they do not have instant cash they get all the products on credit. The farmer has to sell his entire stock to the creditor after the harvest in order to settle the credit. This not only leads to the farmer getting a lower price for his stock but also leads to overall losses in the supply chain. Many firms are trying to work on this particular aspect along with the government.

There are three important things which need to be taken care of so that the farmers can maximize value of their produce:

- Right inputs & advisory platform necessity
- An affordable and organized form of credit
- Right liquidation channels at right prices, post-harvest

Challenges of Agristartups in COVID 19

Two categories of agri start-ups are in dilemma because of CoVID-19 pandemic. Moreo-ver we can say A virus has upset every aspect of business and agri start-ups are also one of them. First category, who established their start-ups newly and are penetrating their products in the market to acquire clients. Second category who are in a queue to receive grant in aid from GoI to establish their innovative start-ups or potential startups that have a minimum viable product (MVP) based on innovative solutions/ processes / products/ services/ business models in agriculture and allied sector which is ready for commercialization. This Grant-in-aid support which Govt. of India is committed to provide through incubators will assist the incubatees to launch their products/ services/ business platforms into the market and help them to scale up their operations as well as to attain business viability at a faster pace. This support will also facilitate them to attract investments from angel/venture capitalists or taking loans from banks /financial institutions for further scaling-up of their business of operations.

Now to survive during and post COVID 19 pandemic; agri startups must have to work on main pillars and how to bring changes in the working of these pillars is a big challenge. Team work will play an important role during the situation and decision lies with the founder of the start-up whether he is having capacity to recover quickly from difficulties and toughness without temporary or permanent discharge of a worker or workers i.e., Layoffs and retaining all the employees in the company. He must have an ability to recover from or adjust easily to misfortune or change otherwise he will admit defeat. The decision will totally depend upon the revenue and profitability of the start-ups. Revenue is often referred to as the top line because it sits at the top of the income statement and Profitability is the ability of a business to earn a profit. Capital efficiency is very important part of another important pillar Business and Economics where in the relationship between expenses incurred by the company to money used to manufacture a good or service matter. Start-ups needs policy of Cost-cutting which refers to measures implemented by a company to reduce its expenses and improve profitability. This is the time when start-ups needs to frame policy for purchase order collections (PO) which is a commercial source document that is issued by a business' purchasing department when placing an order with the business' vendors. PO collections will play an important role in their survival. Research is needed about the product and new business opportunities as product manufactured by the start-ups needs to satisfy the demand of the customer in the market which is entirely changed due to pandemic. Many people interpret product/market fit as creating a so called minimum viable product that addresses and solves a problem or need that exists.

Product research helps companies to understand what the customers really want, so that the product can be tailored to match the needs of the customer. Start-ups needs innovation to

reach out to clients of CoVID19 period as it creates more effective processes, products, and ideas. For a business, it could mean implementing new ideas, improving services or creating dynamic products. Start-ups need to change their business model and making changes in the existing environment to deliver better products or services for acquiring new clients. Start-ups needs to synergize and shun the path of competition at this situation as synergy is most commonly used in the context of mergers and acquisitions (M&A).

Mergers of two or more star-ups is the need of the hour for their survival. Currently start-ups are facing the problem of fund raising and in future it will rise because it is the process of seeking and gathering voluntary financial contributions by engaging individuals, businesses, charitable foundations, or Governmental agencies to run start-ups. Grants at this time of juncture are very limited and whatever Govt. is giving is for the start-ups working in the field of PPE (Personal Protective Equipments). Therefore, venture capital funding is the option in startup and small- to medium-sized enterprises. These investments are generally characterized as high-risk/high-return opportunities. These contributions should come from wealthy individuals or companies, who give their money to a VC firm to manage their investment portfolio for them and to invest in high-risk start-ups in exchange for equity. Pro-rata investment rights is another opportunity for fund raising as this give an investor in a company the right to participate in a subsequent round of funding to maintain their level of percentage ownership in the company. This becomes a way for investors to continue to invest in companies that they want to put more into. Strategic merger of the start-ups is need of the hour. This type of Merger and Acquisitions process aims at creating synergies in the long run by increased market share, broad /customer base, and corporate strength of business.

Agriculture and Agristartups- Mitigation Measures

India's agricultural sector depends on migrant labourers for several operations. Now, an estimated 50 million migrant labourers (of India's 140 million) are expected to have returned to their native places from cities following the nationwide lockdown from March 24. They account for about 11% of the non-self-employed labour force. Many migrant labourers, mainly from eastern states, are working in agricultural fields in the country's west and north. They are also significantly employed in marine fishing, post-harvest activities, managing livestock, in marketing, and in the creation of agricultural infrastructure. It appears that the migrants' return is having a negative impact on agriculturally developed regions like Punjab, with the proximate cause being the harvest of important rabi crops like wheat and mustard, resulting in a higher production cost. If the lockdown continues without adequate mitigation efforts, even the kharif crop could be affected. Unless compensated for the loss of labour force, many marine fishing and fish processing activities will also be impacted.

Another fallout would be the reduced capacity of the sector to generate savings, affecting demand for inputs like fertilisers, pesticides, farm machinery, etc. Further, demand for other industrial and consumer goods would be affected as well, with ramifications for industrial growth. Ensuring sufficient flow of institutional credit to agriculture and small-scale industrial sectors is of critical importance now. While labourers who had migrated to cities were instrumental for urban development, their own welfare was largely neglected. The low credit-deposit ratio in rural areas also helped develop cities. However, the backward linkage to India's hinterlands and rural areas is weak. This requires several mitigation strategies; a long-term one is to develop rural areas by ploughing resources back and increasing labour productivity. Reverse migration due to COVID-19 provides an opportunity for hinterland administration to engage the returned labourers in gainful employment, and the sole short-term option is to leverage the potential of agriculture. Especially labour-intensive sectors like livestock, fisheries and food processing have not developed over the years, and the labourers who have returned can be used to reverse this

trend. Labourers can also be involved in creation and revamping of rural infrastructure (both farm and non-farm), godowns, water management and in food and fodder processing. The labour has to substitute for the probably reduced input application in agriculture to help maintain the production level, resulting in increased factor share of labour in the agricultural sector. Maintaining food security both at household and intra-household levels will be challenging. The presence of additional member(s) in the household without income and contribution to food production could worsen the nutritional security of households in the short term. This has a gender dimension too, as women could become further marginalised.

The solution lies largely with the state and the community. While the community's role is critical, its operational success depends on the benevolence of the state in terms of food supply. The public distribution system has a critical role. Long-term strategies should be qualitatively different, focusing more on other sectors. Nonetheless, agro-based activities and enterprises would be a key element. Improving the labour and land productivity would be a critical strategy. For this, changes in the organisation of land, land and water development, food processing and value addition and rural industries will be important. Models that harness economies of scale in rural areas and mass absorption of labourers need to be evaluated and adopted.

CONCLUSION

During this lockdown the agri startups will not be able to escalate the services and the need of the customer will change. Only one with essential items will be able to start in case they have already setup the network. Government within limited resources can help startups to accelerate by providing them timely fund assistance which will help them to cope up with financial tough time. Post Lockdown and Covid 19 Pandemic will take more time to stable as customer will be more focused on conservation of resources than experimenting with something new. COVID-19 could reinvent the importance of the agriculture sector as the one on which our labour force can fall upon at a time of crisis. Reviving this sector will be the key in the post-COVID-19 phase of the Indian economy.

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