



AGRICULTURAL SECTOR IN INDIA : A CASE STUDY OF GAIC

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ABSTRACT

Over 58% of rural household depends on Agriculture as their principle means of livelihood. As per the 2nd advised estimates by Central Statistics Office, the share of agriculture and allied sectors is estimated to be 17.3% of Gross Value Added. To increase the crop production, various pesticides and fertilizers are used as per requirement of crop. Though the latest trend of bio-fertilizer is emerging, pesticide share more than half weightage compared to bio-fertilizers. Instant result on preventing crop weeds and pest, makes farmers to depend more on pesticide and fertilizers compared to liquid bio fertilizers which take more time increase yield production and improve soil fertility. Another factor which accounts on more use of fertilizer and pesticide is promotion by traders. Private players give high profit percentage and commission on sale of pesticide which makes retailers to concentrate more on increasing sales of such product and less bio fertilizers. A study was conducted at various Agro Service Center and Agri Business Centers of Gujarat Agro Industries Corporation, an organization which promotes agricultural activities at ground level across districts of Gujarat state. Study findings shows that there is a need of promoting use of bio-fertilizer among farmers.

Keywords: Agriculture, Pesticides, Bio-fertilizer, Soil fertility, Agro Service Center, Agri Business Center.

AGRICULTURE SECTOR IN INDIA

Agriculture plays a vital role in India's economy. Over 58 per cent of the rural households depend on agriculture as their principal means of livelihood. Agriculture, along with fisheries and forestry, is one of the largest contributors to the Gross Domestic Product (GDP). As per the 2nd advised estimates by the Central Statistics Office (CSO), the share of agriculture and allied sectors (including agriculture, livestock, forestry and fishery) is expected to be 17.3 per cent of the Gross Value Added (GVA) during 2016-17 at 2011-12 prices. India is the largest producer, consumer and exporter of spices and spice products. India's fruit production has grown faster than vegetables, making it the second largest fruit producer in the world. India's horticulture output, is estimated to be 287.3 million tonnes (MT) in 2016-17 after the first advance estimate. It ranks third in farm and agriculture outputs. Agricultural export constitutes 10 per cent of the country's exports and is the fourth-largest exported principal commodity. The agro industry in India is divided into several sub segments such as canned, dairy, processed, frozen food to fisheries, meat, poultry, and food grains.

MARKET SIZE

India's GDP is expected to grow at 7.1 per cent in FY 2016-17, led by growth in private consumption, while agriculture GDP is expected to grow above-trend at 4.1 per cent to Rs 1.11 trillion (US\$ 1,640 billion) As per the 2nd Advance Estimates, India's food grain production is expected to be 271.98 MT in 2016-17. Production of pulses is estimated at 22.14 MT.

India's exports of basmati rice may rise to Rs 22,000-22,500 crore (US\$ 3.42-3.49 billion), with volume to around 4.09 MT in 2017-18, backed by a rise in average realizations. Wheat production in India is expected to touch an all-time high of 96.6 MT during 2016-17. Groundnut exports from India are expected to cross 700,000 tonnes during FY 2016-17 as compared to 537,888 tonnes during FY 2015-16, owing to the expected 70 per cent increase in the crop size due to good monsoons. India's groundnut exports rose to 653,240 MT during April 2016-February 2017.

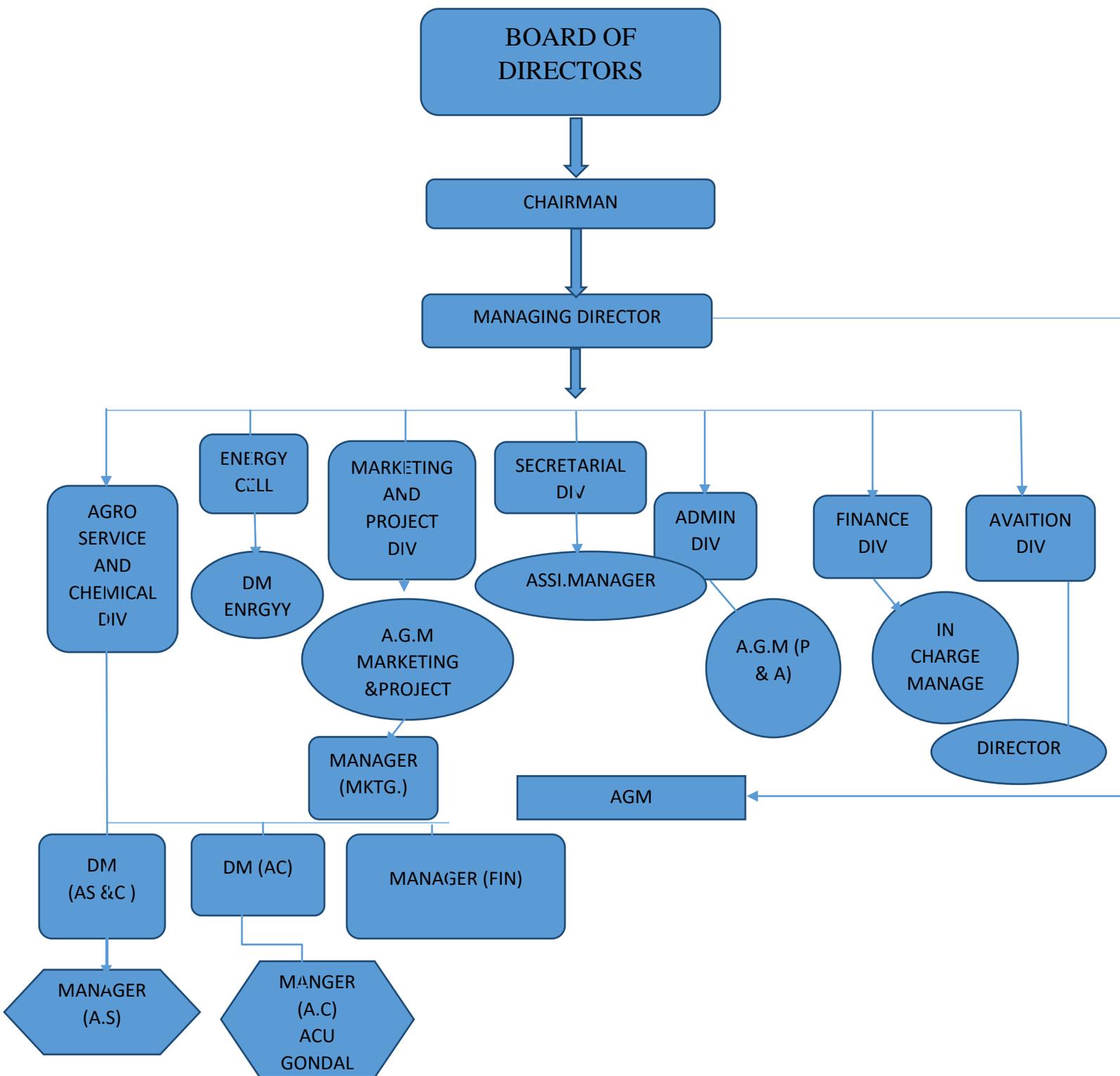
INTRODUCTION OF GAIC

Gujarat has long been considered as one of the most progressive states of India, be it on the industrial front or the agricultural front. Imbued with a proactive, visionary outlook, its

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government has catalyzed development in various spheres the collective effort has, thus, propelled the state towards progress. Gujarat Agro Industries Corporation (GAIC), which promotes agricultural activities at the ground level and fosters the development of agro industries in the state, is a manifest example of the forward-looking policies of the state. Set up in 1969 under the Companies Act, 1956, GAIC acts as a facilitator and nodal agency for implementation of various scheme of Government of Gujarat and Government of India. The present-day globalized agricultural environment necessitates a holistic approach to farming and all related activities. Moreover, strengthening of the forward and backward linkages between agriculture and industry has also become a prerequisite. This is where GAIC steps in. It plays an important role in increasing competitiveness by encouraging farmers to adopt an integrated approach to agriculture and work towards better returns from the existing set-up.



ABOUT GUJARAT AGRO INDUSTRIES CORPORATION LTD.

GAIC distributes chemical fertilizers through subsidy and non-subsidy schemes. GAIC distributes chemical fertilizers like Urea, Di-Ammonium Phosphate (DAP), Ammonium Sulfate Phosphate (ASP), Ammonium Sulfate (AS), Calcium Ammonium Nitrate (CAN), Nitro Phosphate (N.Phos), Murat of Potash (MOP), Single Super Phosphate (SSP) (granules & powder) etc., produced by reputed companies such as GSFC, GNFC, IPL, RCF and Chambal Fertilizers Co. Ltd. Company manufactures and distributes pesticides and bio fertilizers. GAIC formulates high-quality pesticides like Agrofen, Agrocyper, Agromonarc, Agrosulfan, Agrophorate, Agrophate, Agro para, Agrophos, Agroquin, Agrozim, Agromala, Alphamethrin, Agrimida etc. and provides them to farmers at reasonable prices. It also markets selected pesticides produced by other companies. Its activities also include spreading awareness about bio-fertilizer and selling the same at reasonable prices. Moreover, under the subsidy scheme of the Directorate of Agriculture, GAIC plays the role of a nodal agency for supplying good quality tarpaulins and open pipelines.

MARKETING FUNCTIONS

The Nucleus of all the activities of GAIC is the farmer. GAIC has a strong presence in rural Gujarat through its network of 18 district-level centers and 1300-plus Agricultural business centers run by private sector entrepreneurs which provide services at the doorstep to farmers. Lakhs of farmers visit these outlets regularly. GAIC has appointed unemployed technicians/agricultural graduates located at all villages/Talukas, to give services to the farmers for their basic requirement more than 1300. Agro Service Centers/Agro Business Centers are handling fertilizers distribution work.

- Distribution of Pesticides in Gujarat as per following channels:
- Through Agro Service Centre/Agro Business where located all over Gujarat State for marketing and distribution of our products.
- Private Distributor throughout Gujarat State.
- Various GSFC Depots located in Gujarat

Various other function include:

- Subsidy schemes on products.
- Krishi Mahotsav
- Field demo of products and farmers visit at their village.
- Personal guidance and pamphlet distribution at service center.
- Marketing through android application.
- Guidance to farmers through radio program.

MARKETING RESEARCH

- Study of feedback forms filled by farmers.
- Preparation of questionnaire for survey of pesticides and bio fertilizer products.
- Visiting Agro service centers, Agro business centers.
- Product comparison of GAIC and other private firms.

PROBLEMS

- Margin on pesticide products is less.
- Order should reach to centers in minimum time.
- Marketing team should visit centers between some intervals which can provide the details of market conditions.
- Pesticide department should operate separately so that concentrated efforts can be applied.
- Subsidy work should be handled by GAIC to enable faster operations. Medium in between makes operations cycle time consuming.
- Billing work can be made speedy by operating at district level.
- Price of pesticides is more compared to private company products.
- Some farmers demand small quantity of product so smaller bottle packaging should be available. Also there is leakage problem in some bottle packaging.

- ‘Khedut sabha’ should be held on right time according to crop season after consulting with ASCs and ABCs.
- Private companies do not charge interest on their lending, also if farmer is not able to make payment before due date they are not charging interest.
- Product return facility should be there for expired products. Private company provides return facility of expired product by deducting 10% of product rate. They reprocess the expired product and repackage it for sale.
- Private companies offer discount up to 12% to dealers on product purchase.
- Agroquin, Agrofens, Agromonark are having best quality compared to other but due to lack of marketing sufficient sales is not observed in that products. Thus marketing department work should be at strong base.

GAIC ANALYSIS: PORTER’S FIVE FORCES MODEL (PESTICIDES PRODUCTS)

1. THREAT OF NEW ENTRANTS

- Threat of new entry into Technical manufacturing market is low, due to the stringent Regulatory and Registration procedures and also the capital investment to build the machinery and equipment while establishing the plant, hinder the new entrants in tech production. Entry barriers exist in terms of regulatory and environmental compliance to establish the plant structure. Entry into Formulation business is relatively easier than Technical, with low capital investment, Threat of new entrants in generic formulation business is high. In the side of pesticides, GAIC facing high new entrants competition because of poor supply channel, poor billing procedures, poor packaging in some products, poor marketing in the rural area.

2. BARGAINING POWER OF SUPPLIERS – LOW

- Demand of the molecules depends on the season and molecule’s comparative performance at the end user level. Technical manufacturers need to modify their Production planning basing on the domestic forecast along with seasonal abnormalities.

- Formulation suppliers in this industry also do not have the comfort of bargaining power, as there is severe competition among formulation suppliers. Switching cost are less, in changing the supplier, Hence buyers have the advantage of switching to new suppliers after the closure of sale agreement.

3. BARGAINING POWER OF BUYERS – LOW

- Buyers are the end users and channel partners (distributor and dealers).Farmers are not brand oriented and they lack knowledge on the right product to purchase. This is due to lack of awareness and education. Channel partners will have a say in what the farmers has to purchase. As such buyers in this industry will not dictate or fix the price of the product.

4. COMPETITIVE REVELRY – HIGH

- Competition in generic molecules is huge around 125 tech manufacturers and 800 formulators allowing customers to switch and play between the competitions. Price sensitivity is very high in generic market. Brand loyalty is very low as the purchasing power of the end user is low.
- On the contrary, Companies with Proprietary molecules will enjoy monopoly of that products and can have premium on generics. Customer brand loyalty is observed for these products.

5. AVAILABILITY OF THE SUBSTITUTES – LOW

- Substitute are available in the form of Biological pesticides, which is still in a very nascent stage. Product performance of the biological pesticides is unreliable and not standard, as these pesticides are developed basing on bacteria or fungi which show detrimental effect on target pest and diseases, have a setback if the weather is not conducive. Due to this reason Bio pesticides could not become popular or accepted as an alternative to the chemical pesticides from the farmer level.

- The threat of substitute is very less because GAIC is the leading organization in manufacturing of bio fertilizer pesticides products with their unique characteristics.

INFERENCE

- If GAIC wants to lead the market they have to stick some basic rules like,
 1. Manage the right product offerings/crop solutions which can help farmer improve the farm productivity and enhance the ROI.
 2. The key to remain profitable in this industry is to have capability to invest in R&D to discover and develop new molecules.
 3. Manufacturing capacity with strong channel network in the market.
 4. Attractive packaging and good marketing.

Being innovative in developing the farm solutions and constant extension services to the farmers will enhance your company's image at the end level and as well at the buyers' market.

KEY COMPETITORS IN PESTICIDES			
COMPANY NAME	INSECTICIDES	HERBICIDES	FUNGICIDES
BASF INDIA	✓		✓
BAYER CROP SCIENCE LTD.	✓	✓	✓
DHANUKA AGRITECH LIMITED	✓	✓	✓
DOW AGROSCIENCE INDIA PVT LTD.	✓	✓	✓
DUPONT	✓	✓	✓
EXCEL CROP CARE LTD.	✓	✓	✓
GHARDA CHEMICALS LTD.	✓	✓	✓
MEGHMANI ORGANICS LTD.	✓	✓	✓
MONSANTO INDIA LTD.		✓	
NAGRARJUNA AGRICHEM LTD.	✓	✓	✓
PI INDSUTIRES LTD	✓	✓	✓
RALLIS INDIA	✓	✓	✓
SYNGENTA INDIA	✓	✓	✓
UNITED PHOSPHOROUS LTD	✓	✓	✓