Vasantrao Naik Gramin College of Agriculture, Neharunagar(Kandhar),Nanded

Course Title – Agri Business Management **Semester – V(New)**

Course No. - ELE ECON-354 **Credit-3(2+1)**

AGRIBUSINESS -

Agri-business as a concept was born in Harvard University in 1957 with the publication of a book "A concept of Agri-business", written by John David and A. Gold Berg. It was introduced in Philippines in early 1966, when the University of the Philippines offered an Agri-business Management (ABM) programme at the under-graduate level. In 1969, the first Advanced Agribusiness Management seminar was held in Manila.

Definition of Agri-business :

"Agri-business is the sum total of all operations involved in the manufacture and distribution of farm supplies, production activities on the farm, storage, processing and distribution of farm commodities and items made from them"

(John David and Gold Berg)

"The Coordinating science of supplying agricultural production inputs & subsequently producing, processing & distributing food & Fiber"

(E. Paul Roy)

Agri-business involves three sectors :

1. Input sector: It deals with the supply of inputs required by the farmers for raising crops, livestock and other allied enterprises. These include seeds, fertilizers, chemicals, machinery and fuel.

2. Farm sector : It aims at producing crops, livestock and other products.

3. Product sector : It deals with various aspects like storage, processing and marketing the finished products so as to meet the dynamic needs of consumers. Therefore, Agribusiness is sum total of all operations or activities involved in the

business of production and marketing of farm supplies and farm products for achieving the targeted objectives.

Importance of Agri-business:

1. It deals with agricultural sector and also with the portion of industrial sector, which is the major source of farm inputs like fertilizers, pesticides, machines, processing and post harvest technologies.

2. It suggests and directs the government and private sectors for development of sub sectors.

3. It contributes a good part of the national economy.

Scope of Agri-business:

1) Our daily requirements of food and fiber products at desired place at required form and time come from efficient and hard working of many business personnel in input, farm and food production and also in marketing them. The entire system in brief is called Agribusiness.

2) Agribusiness, of late, is combining the diverse commercial enterprises, using heterogeneous combination of labour, materials, capital and technology.

3) It is a dynamic sector and continuously meets current demands of consumers in domestic and world markets.

4) Agri-business establishment leads to strengthening of infrastructural facilities in that area, expansion of credit, raw materials supply agencies, adoption of modern technology in production and marketing of agricultural products.

5) Agri-business provides crucial forward and backward linkages. (Backward linkage include supply of inputs, credit, production technologies, farm services etc., A forward linkage includes storage, processing, transportation and marketing aspects.)

6) Agri-business generates potential employment opportunities.

7) It adds value to products and thereby increases the net profits.

Structure of Agri-business:

As mentioned earlier agri-business sector provides crucial backward and forward linkages. It involves two important sectors.

1. Farm input sector: It deals with agro-based industries providing seeds, fertilizers, feed, chemicals etc., The industries supplying machinery or equipment, implements and petroleum etc are also important in this regard.

2. Farm product sector: It deals with production and distribution of farm commodities. Large cooperative bodies also exist in Agri-business, but they are few in number, whereas small scaled agroindustries are large in number. The vertical integration of a farm is very common in poultry, fruit and vegetable farms.

Horizontal integration : If one firm assumes the functions of other firm is called the horizontal integration Ex: Co-operative marketing societies, Co-operative farming societies.

Vertical integration: If one firm assumes other functions which are having close relationship.

a. If one firm assumes other functions (succeeding) related to consumption function is called forward integration. Ex: A wholesaler firm assuming the function of a retailer.

b. If one firm assumes the other functions (proceeding) related to the production function is called backward integration. Ex: A wholesaler firm assumes the functions such as assembling, processing, packing etc.,

Conglomerate integration: If one firm assumes several functions which do not have any relationship. Ex: Hindustan Lever Ltd.)

Distinctive Features of Agri-business Management

The important distinctive features or the principle characteristics of agribusiness are as follows:

1. Management varies from business to business depending on the kind and type of business. It varies from basic producer to brokers, wholesalers, processors, packagers, manufacturers, storage proprietors, transporters, retailers etc.,

2. Agri-business is very large and evolved to handle the products through various marketing channels from producers to consumers.

3. Management varies with several million of farmers who produce hundreds of food and livestock products

4. There is very large variation in the size of agri-business; some are very large, while many other are one person or one family organization.

5. Most of the Agri-business units are conservative and subsistence in nature and family oriented and deal with business that is run by family members.

6. The production of Agri-business is seasonal and depends on farm production. They deal with vagaries of nature.

7. Agri-business is always market oriented.

8. They are by far vertically integrated, but some are horizontally integrated and many are conglomerated.

9. There is direct impact of govt. programmes on the production and performance of Agribusiness.

Scope of Agri.business industry

1. Resource Supply Sector
2. Product Marketing Sector
3. The Processing Sector
4. The Wholesale & Retail Sector

MANAGEMENT

Definitions:

Management is the administration of business concerns of public undertaking.

It is decision making process through which purposes and objectives of business firms or organizations or human groups are determined, clarified and effectuated.

MANAGEMENT is the whole activities by means of which the business units direct their desired actions towards achieving their set goals.

It is accomplishment of desired objectives through establishing an environment favorable to performance by people operating in organized groups.

Management is unifying and coordinating action, which combines different activities of individual personnel into meaningful and purposeful group endeavor.

Hence, management in brief is the efficient use of men, material and resources towards achieving specific objectives.

In order to achieve the desired objectives of an organisation through group action, "MANAGEMENT" is a must to direct, coordinate and integrate the activities and affairs of the organisation.

Manager: Manager is defined as a person, who provides the organization with leadership and who acts as a catalyst for change. Good managers are most effective and permit desirable changes. Ordinarily there are the two main functions of each manager: Decision Making and Implementation.

Functional Approach to management:

Recently developed concept of management, is to view management as series of functions.

These are:

1. Planning

2. Organizing

3. Directing

4. Controlling

5. Co-ordinating

6. Communicating

7. Motivating

- Execution of these functions is important for success of business firm. In fact, this is the best concept of management.
- Management is needed to convert the disorganised resources of men, machines , materials and methods into useful and effective enterprise.
- The essence of management is coordination of people and functions.
- The manager directs and controls the organisation and its activities towards chosen objectives.

➢ **SIX ELEMENTS OF DECISION MAKING PROCESS:**

1. Being aware of the opportunities
2. Establishment of objectives
3. Development of premises
4. Discovering alternate courses of action
5. Budgeting
6. Establishing and the best course of action selected followed by evaluation

AGRO-BASED INDUSTRIES

- **Importance of Agro-Based Industries –**

1. Establishment of agro-based industries is based on the availability of raw material. 1. Agro-based industries have to set up at rural areas where raw material may be available in plenty – helps in the up liftment of the rural economy.
2. Provide rural population an opportunity for employment.
3. Generate income and thereby improve economic condition of people – which in turn creates potential for demand based industries.
4. Provide an opportunity for the dispersal of industries instead of concentrating at a particular place.
5. Solve the problem of exploitation of farming community by traders and middlemen.
6. Farmers could be assured of better price for their produce.
7. Encourage to bring more and more areas under various crops – increase agricultural production and improve nation‟s economy.
8. Transportation cost of agricultural products can be minimized – thereby help to minimize cost of finished goods.
9. Avoid wastage of perishable agricultural products.
10. Help to develop backward areas based on their suitability for setting up agro industries.
11. Prevent migration of people from rural to urban areas.

Industries are divided into four groups.

1. Resource based
2. Demand based
3. Skill based
4. Ancillary

Again the resource based industries are divided into agro-based, forest based, animal husbandry and poultry based, mineral based, marine based, etc. Agro-based industries are those industries which have either direct / indirect link with agriculture. Industries which are based on agricultural produce and industries which support agriculture come under agro-based industries.

➢ Types of Agro-based industries

There are four types of agro-based industries.

1. Agro-produce processing units

They merely process the raw material so that it can be preserved and transported at cheaper cost. No new product is manufactured. Ex: Rice mills, Dal mills, etc.

2. Agro-produce manufacturing units

Manufacture entirely new products. Finished goods will be entirely different from its original raw material. Ex: Sugar factories, bakery, solvent extraction units, textile mills, etc.

3. Agro-inputs manufacturing units

Industrial units which produce goods either for mechanization of agriculture or for increasing productivity come under this type. Ex: Agricultural implements, seed industries, pumpset, fertilizer and pesticide units, etc.

4. Agro service centers

Agro service centers are workshops and service centres which are engaged in repairing and servicing of pumpsets, diesel engines, tractors and all types of farm equipment.

➢ Need for Agro-based industries

1. Suitable to rural areas as they are raw material oriented.
2. For up liftment of rural economy.
3. To solve the problem of unemployment.
4. To generate income and increase standard of living.
5. For decentralization and dispersal of industries.
6. To reduce disparity between rural and urban areas.
7. To encourage balanced growth between agriculture and industry.
8. To reduce transportation costs.
9. To give big push to agriculture and act as a source of demand and supply.
10. To avoid wastage of perishable agricultural products.
11. To prevent migration of rural people.
12. To develop suitable backward areas.
13. To improve infrastructural facilities.

➢ Institutional Arrangements for Promotion of Agro based Industries

Following Ministries & Departments at the Centre and State level are at present looking after development of agro based industries.

1. Ministry of Agriculture

Deals with rice mills, oil mills, sugar mills, bakeries, cold storage, etc.

2. Khadi and village industries board

Covers traditional agro based industries like „gur‟, handicrafts, khandasari, etc.

3. Director General of Trade and Development

Looks after the industries engaged in the manufacture of tractors, power tillers, diesel engines, pump sets, etc.

4. Agro-industries Development Corporation

In each state mainly supply agricultural machinery, inputs and agricultural advisory services to farmers. Some corporations have also undertaken certain manufacturing activities in agro industries sector.

5. Small Industry Development Organization

Deals with small agro-industries like hosiery, processing of food products, beverages, food and fruit preservation, agricultural implements, pesticide formulations, etc.

➢ Constraints in establishing agro based industries

1. Proper guidance is not available to entrepreneurs.
2. It involves some element of risk taking
3. Change in crops / cropping pattern
4. Change in variety of crop due to technological improvement
5. Failure of monsoon may hit the raw material supply.
6. Proper guidance, training for modern and sophisticated agro-industries are not available.
7. As modern small industries are capital intensive, supply of finance will be a considerable problem.
8. Promotional activities such as conducting, intensive campaigns, identifying candidate industries and explaining to entrepreneurs about prospects are inadequate.
9. Uncertainty about future market demands.

10. Absence of information about quantity and quality of market.
11. Multiplicity of agricultural produce and absence of suitable methodology to select best suited industries to a given region.
12. Seasonal supply of agricultural produce may result in under utilization of capacity of the units as the unit will not be working throughout the year. Ex: Sugarcane
13. Industries based on fruits and vegetables may not get the same variety throughout the year, but they may get some other variety.
14. Absence of proper integration among the various agencies of development in the district.

- **Procedure to Set-Up Agro Based Industry-**

1. Identification of Project Ideas
2. Market Analysis
3. Technical & Organizational Analysis
4. Financial & Economic Analysis
5. Feasibility Report Preparation
6. Financing of Agro-Industrial Project
7. Government Aid

Project

Definition & Meaning –

- Projects are the building blocks of investment plan.
- An agricultural project is an investment activity in which financial resources are expended to create capital assets that produce benefits over an extended period of time.
- Project is an activity on which money is spent in expectation of returns and which logically seems to lend itself to planning, financing and implementation as a unit.

Types of Agricultural Projects

1. Water Resource Development Projects

These projects include irrigation projects, ground water projects, projects for land reclamation, drainage projects, salinity prevention and flood control.

2. Agricultural Credit Projects

These are called "on-lending projects". These projects provide credit to the farmers for farm investment for increasing agricultural production, raising their standard of living and the economy as a whole.

3. Agricultural Development Projects

These are the projects aimed at improving farm economy of individuals and regional development.

4. Agro-industries and Commercial Development Projects

Projects of input, services to farming, projects concerned with processing, storage, market development, projects for fisheries development.

PROJECT CYCLE

There tends to be a natural sequence in the way projects are planned and carried out, and this sequence is often called the "project cycle." The important phases in project cycle are

(1) Conception or Identification
(2) Formulation or preparation of the project
(3) Appraisal or Analysis
(4) Implementation
(5) Monitoring
(6) Evaluation

1. Conception or identification of the project

The first stage in the cycle is to find potential projects. In agricultural projects, costs are easier to identify than benefits because the expenditure pattern is easily visualized. The various types of costs involved in the project are:

Project costs: These include the value of the resources in maintaining and operating the projects

Associated costs: Costs that are incurred to produce immediate products and services of the projects for use or sale

Primary costs or Direct costs: These include costs incurred in construction, maintenance and execution of the projects

Indirect costs or Secondary costs: Value of goods and services incurred in providing indirect benefits from the projects such as houses, schools, hospitals, etc

Real costs and nominal costs: Costs at current market prices are nominal costs, whereas if costs are deflated by general price index, these are termed as real costs

Social costs: These are technological externalities and technological spill-over accrued to the society due to presence of projects, i.e., pollution problems, health hazards, salinity conditions, etc.

The difference is the net additional benefit arising out of the project. Benefits are split into two: tangible and intangible benefits.

Tangible benefits: Incremental income due to the existence of projects is obtained either from an increased value of production or from reduced costs.

Intangible benefits: These include better income distribution, national integration, better standard of living, etc.

2. Formulation or Preparation of the Project:

The following points are considered while formulating the projects.

- The location of the project site must be based on technical analysis and technical feasibility of the projects.
- The location of the project depends up on available physical resources, market conditions, marketing facilities, alternative investment prospects, administrative experience, farmers‟ objective, technical skill, motivations, demand for products, etc.
- **Technical aspects:** Technical analysis must make into consideration all aspects of technology to be used in the project and account for all inputs of goods and services.
- **Financial aspects:** The implementing agency should be in a position to estimate financial requirements and anticipated returns, through farm planning and budgeting. Once the incremental income is arrived at, the repayment capacity duly giving allowance for risk and uncertainty can be worked out. Cash flow chart can be profitably used here.
- **Commercial aspects:** The aspects focus on the estimation of effective demand, availability of input supplies and arrangements for the output marketing. Market potentiality for the products needs a careful scrutiny.
- **Managerial aspects:** If we want successful implementation of the project, effective managerial issues are very crucial. The managerial skills can be sharpened.
- **Organisational aspects**: Organisation refers to the process of putting the priorities in an orderly form. For proper administration of the projects, efficient personnel and other requirements are indispensable.
- **Social aspects:** Here customs, culture, traditions and habits etc., of the beneficiaries are considered. The relevant implications like the probable changes in the living standards, material welfare, consumption habits, income distribution effects, etc., fall under this coverage.
- **Economic aspects:** Here we have to examine the benefits, which the project is going to contribute in terms of the utilization of scarce resources of the nation. The indirect effect like, the income distribution, needs to be assessed.

3. Appraisal or Analysis

Appraisal should take place before the implementation of the project. It is done independently by specialists. In the appraisal stage it is important to know whether the project is technically feasible according to the data available. The technical data for assessing the feasibility of the project should be consistent with the information available in the office of the sanctioning authority of elsewhere. Managerial aspects play a key role in the project appraisal. Projects become abortive due to the failure to consider managerial aspects, i.e., such as new skills and information gained by the farmers in the project area, including adoption of new technology. The managerial capabilities and capacity of administrative personnel must also be assessed in project appraisal.

4. Implementation

This is the most crucial phase of the project cycle. The secret of successful implementation depends up on the extent of realism put into the plans drawn beforehand. It is often not uncommon, to notice our plans getting deviated from the reality. Here the role of prudent decisions by the personnel incharge of implementation to take the situation comes into play. Project implementation can be divided into three different periods, viz., investment period, development period, and full-production period. Investment period may range from few months to few years depending up on the nature of assets to be acquired. Assets proposed should be of superior quality. Development period too consumes time. Implementing agency should make all efforts to reduce the gestation period as per the plan envisaged in the beginning. Full production period is the time during which the beneficiaries start reaping the benefits of the project.

5. Monitoring

Monitoring is the timely collection and analysis of data on the progress of a project, with the objective of identifying constraints which impede successful implementation. This is highly desirable, particularly when projects fail, to be completed as per time schedule or in the process of attaining the set goals. It is imperative to get the feedback on the problems faced so that effective measures can be taken up to plug the deficiencies, which hamper the speedy implementation. Monitoring has to be done continuously to offset various shortcomings that crop up from time to time with regard to various aspects of implementation.

6. Evaluation

This is the last phase of the project cycle. Evaluation can be done several times during the life of a project. In the evaluation process, it is important to see, how far the objectives set out in the project are achieved. Deficiencies, snags or failures to achieve the objectives may be analyzed and appropriate solutions to such failures answered. Evaluation process is to be completed in three phases. They are pre-project evaluation, concurrent evaluation and ex-post evaluation. In the first phase, evaluation is attempted before any change occurs in the existing situation. This is primarily meant to assess economic feasibility of the projects, since it is done at the very beginning. This type of analysis is otherwise called pre-project evaluation. Sometimes it is also important to take up evaluation when the project is in execution, and such evaluation is called concurrent evaluation. This type of evaluation is basically meant for identifying and analyzing the pitfalls in the execution of the project. Evaluation is also resorted to particularly when the project is completed in all its phases, in order to assess the achievement of ends or objectives set out by the projects. Such evaluation is called ex-post evaluation or end-evaluation.

IMPORTANCE OR SIGNIFICANCE OF PROJECT REPORT

1. It describes the direction the enterprise is going in, what its goals are, where it wants to be, and how it is going to get there.
2. It also enables an entrepreneur to know that he is proceeding in the right direction.
3. to attract lenders and investors
4. The preparation of project report is beneficial for those small enterprises which apply for financial assistance from the financial institutions and the commercial banks
5. It is on the basis of project report that the financial institutions make appraisal if the enterprise requires financial assistance or not.

COMPONENTS OF A PROJECT REPORT

Therefore, the project report needs to be prepared with great care and consideration. A good project report should contain the following components.

1) General Information: Information on product profile and product details.

2) Promoter: His/her educational qualification, work experience, project related experience.

3) Location: Exact location of the project, lease or freehold, location advantages.

4) Land and building: Land area, construction area, type of construction, cost of construction, detailed plan and estimate along with plant layout.

5) Plant and Machinery: Details of machinery required, capacity, suppliers, cost, various alternatives available, cost of miscellaneous assets.

6) Production Process: Description of production process, process chart, technical knowhow, technology alternatives available, production programme.

7) Utilities: Water, power, steam, compressed air requirements, cost estimates, sources of utilities.

8) Transport and Communication: Mode, possibility of getting, costs.

9) Raw Material: List of raw material required by quality and quantity, sources of procurement, cost of raw material, tie-up arrangements, if any

10) Manpower: Manpower requirement by skilled and semi-skilled, sources of manpower supply cost of procurement, requirement for training. and its cost.

11) Products: Product mix, estimated sales, distribution channels, competitions and their capacities, product standard, input-output ratio, product substitute.

12) Market: End-users of product, distribution of markets local, national, international, trade practices, sales promotion devices, and proposed market research.

13) Requirement of Working Capital: Working capital required, sources of working capital, need for collateral security, nature and extent of credit facilities offered and available.

14) Requirement of Funds: Break-up of project cost in terms of costs of land, building, machinery, miscellaneous assets, preliminary expenses, contingencies and margin money for working capital, arrangements for meeting the cost of setting up of the project.

15) Cost of Production and Profitability of first ten years.

16) Break-Even Analysis:- BEP= $\frac{\text{Fixed Cost}}{\text{Sales Projected - Variable costs}}$ X 100

17) Schedule of Implementation

PREPARATION OR FORMULATIONOF A PROJECT REPORT

The process of Project formulation can be divided in to eight distinct and sequential stages. These stages are:

1. General Information.
2. Project Description.
3. Market Potential.
4. Capital Costs and Sources of Finance.
5. Assessment of Working Capital Requirements.
6. Other Financial Aspects.
7. Economic and Social Variables.
8. Project Implementation.

The nature of information to be collected under each one of these stages has been given below.

1. **GENERAL INFORMATION:**
   The information of general nature given in the project report includes the following:
   a) Bio-data of Promoter/s: Name and address of entrepreneur/s; the qualifications, experience and other capabilities of the entrepreneur/s;

b) Industry Profile: A reference of analysis of industry, to which the project belongs, e.g., past performance; present status, its organization, its problems etc.

c) Constitution and Organization; The constitution and organizational structure of the enterprise; in case of Partnership firm, its registration with the Registrar of Firms; application for getting Registration Certificate from the Directorate of Industries/District Industry Centre.

d) Product Details: Product utility, product range, product design; advantages to be offered by the product over its substitutes, if any.'

2. PROJECT DESCRIPTION

A brief description of the project covering the following aspects is given in the project report.

a) Site: Location of enterprise; owned or leasehold land; industrial area; No Objection Certificate from the Municipal Authorities if the enterprise location falls in the residential area.

b) Physical Infrastructure: Availability of the following items of infrastructure should be mentioned in the project report: i. Raw Material: Requirement of raw material, whether inland or imported, sources of raw material supply. ii. Skilled Labour : Availability of skilled labour in the area, arrangements for training labourers in various skills.

c) Utilities: These include: i. Power: Requirement for power, load sanctioned, availability of power. ii. Fuel: Requirement for fuel items such as coal, coke, oil or gas, state their availability. iii. Water: The sources and quality of water should be clearly stated -in the project report.

d) Pollution Control: The aspects like scope of dumps, sewage system and sewage treatment plant should be clearly stated in case of industries producing emissions.
e) Communication System: Availability of communication facilities, e.g., telephone, telexes etc. should be stated in the project report.

f) Transport Facilities: Requirements for transport, mode of transport, potential means of transport, distances to be covered, bottlenecks etc., should be stated in the business plan.

g) Other Common Facilities: Availability of common facilities like machine shops, welding shops and electrical repair shops etc., should be stated in the report.

h) Production Process: A mention should be made for process involved in production and period of conversion from raw material into finished goods.

3. MARKET POTENTIAL

i. Demand and Supply Position-State the total expected demand for the product and present supply position. This should also be mentioned how much of the gap will be filled up by the proposed unit.

ii. Expected Price-An expected price of the product to be realized should be mentioned in the project report. Marketing Strategy-Arrangements made for selling the product should. Be clearly stated in the project report.

iii. After-Sales Service-Depending upon the nature of the product, provisions made for after-sales service should normally be stated in the project report. Transportation Requirement for transportation means indicating whether put transport or entrepreneur’s own transport should be mentioned in. the project report.

4. CAPITAL COSTS AND SOURCES OF FINANCE

An estimate of the various components of capital items like land and buildings, plant and machinery, installation costs, preliminary expenses, margin for working capital should be 'given in the project report. The present probable sources of finance should also, be stated in the project report. The sources should indicate the owner's funds together with funds raised from financial institutions and banks.

5. ASSESSMENT OF WORKING CAPITAL REQUIREMENTS

The requirement for working capital and its sources of supply should be carefully and clearly mentioned in the project report. It is always better to prepare working capital requirements in the prescribed formats designed by limits of requirement. It will minimize objections from the banker's side.

6. ECONOMIC AND SOCIAL VARIABLES

In view of the social responsibility of business, the abatement costs, i.e., the costs for controlling the environmental damage should be stated in the project. Arrangement made for treating the effluents and emissions should also be mentioned in the report. Besides, the socioeconomic benefits expected to accrue from the project should also be stated in the report itself.

Following are the examples of socio-economic benefits. I. Employment Generation. II. Import Substitution.. III. Ancillarisation. IV. Exports. V. Local Resource Utilization. VI. Development of the-Area.

7. PROJECT IMPLEMENTATION

Last but no means the least, every entrepreneur should draw an implementation scheme or a time-table for his project to ensure the timely completion of all activities involved in setting up an enterprise. Timely implementation is important because if there is a delay, it causes, among other things, a project cost overrun. Delay in project implementation jeopardizes the financial viability of the project, on the one hand, and props up the entrepreneur to drop the idea to set up an enterprise, on the other. Hence, there is a need to draw up an implementation schedule for the project and then to adhere to it. Following is a simplified implementation schedule for a small project.

National Agricultural Cooperative Marketing Federation (NAFED)

- Establishment Year = 2 Oct 1958
- Head Quarter = New Delhi

The **objectives of the NAFED** shall be

1) To organize, promote and develop marketing, processing and storage of agricultural, horticultural and forest produce.

2) To distribute agricultural machinery, implements and other inputs.

3) Undertake inter-State, import and export trade, wholesale or retail as the case may be.

4) To act and assist for technical advice in agricultural production for the promotion and the working of its members and cooperative marketing, processing and supply societies in India.

Functions/Activities of NAFED :

1. To facilitate, coordinate and promote the marketing and trading activities of the cooperative institutions in agricultural and other commodities, articles and goods.

2. To undertake or promote on its own or on behalf of its member Institutions or the Government or Government Organizations, Inter-State and international trade and commerce and undertake, wherever necessary, sale, purchase, import, export and distribution of agricultural commodities, horticultural and forest produce.

3. To undertake purchase, sale and supply of agricultural products, marketing and processing requisites, such as manure, seeds, fertiliser, agricultural implements and machinery, packing machinery, construction requisites, processing machinery for agricultural commodities, forest produce, dairy, wool and other animal products.

4. To act as warehouseman under the Warehousing Act and own and construct its own godowns and cold storage.

5. To act as agent of any Government agency or cooperative institution, for the purchase, sale, storage and distribution of agricultural, horticultural, forest and animal husbandry produce, wool, agricultural requisites and other consumer goods.

6. To act as insurance agent and to undertake all such work which is incidental to the same.

7. To organise consultancy work in various fields for the benefit of the cooperative institutions in general and for its members in particular.

8. To undertake manufacture of agricultural machinery and implements, processing, packing, etc. and other production requisites and consumer articles.

9. To set up storage units for storing various commodities and goods, by itself or in collaboration with any other agency in India or abroad.

10. To maintain transport units of its own or in collaboration with any other organisation in India or abroad for movement of goods on land, sea, air etc.

11. To collaborate with any international agency or a foreign body for development of cooperative marketing, processing and other activities for mutual advantage in India or abroad.

13. To subscribe to the share capital of other cooperative institutions as well as other public, joint and private sector enterprises if and when considered necessary for fulfilling the objectives of NAFED.

14. To arrange for the training of employees of marketing/processing/supply cooperative societies.

15. To maintain common cadres/pools of managerial/technical personnel required by the marketing/processing/supply cooperative societies.

16. To establish processing units for processing of agricultural, horticultural and forest produce and wool

17. To undertake grading, packing and standardization of agricultural produce and other articles;

18. To acquire, take on lease or hire, lands, buildings, fixtures and vehicles and to sell, give on lease or hire them for the business of NAFED.

19. To advance loans to its members and other cooperative institutions on the security of goods

AGRICULTURAL MARKETING

Concept and Definition:

The word market comes from the Latin word 'marcatus', which means merchandise or trade or a place where business is conducted.

The term agricultural marketing is composed of two words-agriculture and marketing. Agriculture, in the broadest sense, means activities aimed at the use of natural resources for human welfare, i.e., it includes all the primary activities of production. But, generally, it is used to mean growing and/or raising crops and livestock. Marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. It includes all the activities involved in the creation of time, place, form and possession utility.

Agricultural marketing is the study of all the activities, agencies and policies involved in the procurement of farm inputs by the farmers and the movement of agricultural products from the farms to the consumers.

According to the National Commission on Agriculture (XII Report)

Agricultural marketing is a process which starts with a decision to produce a saleable farm commodity, and it involves all the aspects of market structure or system, both functional and institutional, based on technical and economic considerations, and includes pre-and post-harvest operations, assembling, grading, storage, transportation and distribution.

World Trade Organisation (WTO)

WTO is the only international body dealing with the rules of trade between nations. The main **functions of WTO** are as follows:

- To oversee implementation and administering of WTO agreements
- To provide a forum for negotiations
- To provide a dispute settlement mechanism
- Expand the production and trade in goods and services

Directorate of Marketing and Inspection(DMI) –

It is an attached office of the Ministry and is headed by the Agricultural Marketing Adviser to the Government of India.

The organisation setup of the DMI is as under:- **Head Office : Faridabad** Branch Head Office : Nagpur Regional Office : Chennai, Delhi, Guntur, and Mumbai. Central **AGMARK Laboratory is located at Nagpur**. Besides, there are 57 sub-offices and 22 Regional Agmark Laboratories spread all over the country.

The main functions of the DMI :

- Rendering Advice on Statutory Regulation
- Development and management of agricultural produce markets to the States/Union Territories
- Promotion of grading and standardization of agricultural and allied products under the Agricultural Produce (Grading & Marketing) Act. 1937
- Market Research, survey and Planning
- Training of personnel in agricultural marketing; and Administration of Cold Storage Order, 1980 and Meat Food Products Order, 1973.

Warehousing

Warehouses are scientific storage structures especially constructed for the protection of quantity and quality of stored products. Warehousing may be defined as the assumption of responsibility for the storage of goods. It may be called the protector of national health, for the produce stored in warehouses is preserved and protected against rodents, insects and pests. and against the ill-effect of moisture and dampness. The warehousing scheme in India is an integrated scheme of scientific storage, rural credit, price stabilization and market intelligence and is intended to supplement the efforts of co-operative institutions.

The important functions of warehouses are :

1. Scientific storage: Here, a large bulk of agricultural commodities may be stored. The product is protected against quantitative and qualitative losses by the use of such methods of preservation as are necessary.

2. Financing: Nationalized banks advance credit on the security of Warehouse receipt issued for the stored products to the extent of 75 % of their value

3. Price stabilization: Warehouses help in price stabilization of agricultural commodities by checking the tendency to making post-harvest sales among the farmers. Warehouse helps in staggering the supplies throughout the year. Thus helps in stabilization of agricultural prices.

4. Market intelligence: Warehouses also offer the facility of market information to persons who hold their produce in them. They inform them about the prices prevailing in the period, and advice them when to market their products.

This facility helps in preventing distress sales for immediate money needs or because of lack of proper storage facilities.

It gives the producer holding power; he can wait for the emergence of favorable market conditions and get the best value for his product

Central Warehousing Corporation (CWC)

Central Warehousing Corporation(CWC) is a premier warehousing agency in India, established during 1957 providing logistics support to the agricultural sector, and one of the biggest public warehouse operators in the country offering logistics services to a diverse group of clients. CWC is operating 475 Warehouses across the country with a storage capacity of 10.3 million tones providing warehousing services for a wide range of products ranging from agricultural produce to sophisticated industrial products.

- **Warehousing activities of CWC include**

- Foodgrain warehouses,
- Industrial warehousing
- Custom bonded warehouses,
- Container freight stations
- Inland clearance depots and air cargo complexes.

Apart from storage and handling CWC also offers services in the area of clearing & forwarding, handling & transportation, procurement & distribution, disinfestations services, fumigation services and other ancillary activities.

- CWC also offers consultancy services/ training for the construction of warehousing infrastructure to different agencies.

- **Functions of CWC:**

- To acquire and build godowns and Warehouses at suitable places in India.
- To run Warehouses for storage of agricultural produce, seeds, fertilizers and notified commodities for individuals, co-operatives and other institutions.
- To act as an agent of the govt. for purchase, sale, storage and distribution of the above commodities.
- To arrange facilities for the transport of above commodities.
- To subscribe to the share capital of SWC

FOOD CORPORATION OF INDIA

Food Corporation India (FCI) was born on January 1,1965

Food Corporation of India was setup on 14th January 1965 under Food Corporations Act 1964.

It is the largest Corporation in India and probably the largest supply chain management in Asia. It operates through 5 zonal offices and 24 regional offices. Each year, the Food Corporation of India purchases roughly 15-20 per cent of India's wheat output and 12-15 per cent of its rice output. The purchases are made from the farmers at the rates declared by the Govt. of India.

Objectives of FCI –

i. Effective price support operations for safeguarding the interests of the farmers

ii. Distribution of food grains throughout the country for Public Distribution System

iii. Maintaining satisfactory level of operational and buffer stocks of foodgrains to ensure National Food Security

Functions of FCI –

a) To produce a sizable portion of the marketable surplus of food grains and other agricultural commodities at incentive prices from the farmers on behalf the central and state governments

b) To make timely releases of the stocks to public distribution system (Fair price shops and controlled item shops) so that consumer prices may not raise unduly and unnecessarily

c) To minimize seasonal price fluctuations and inter regional price variation in agricultural commodities by establishing a purchasing and distribution network and

d) To build up a sizable buffer stock of food grains to meet the situation that may arise as result of short falls in internal procurement and imports

Agreement on Agriculture (AoA)

- AoA was signed as part of the Uruguay Round Agreement in April, 1994.
- It came into force with effect from 1st January, 1995.
- AoA covers three broad areas of agriculture and trade policy, namely.

i. Market Access
ii. Domestic Support, and
iii. Export subsidy

1. Developed countries have to reduce their tariffs by an average of 36% over a period of 6 years from 1995-2000, while developing countries to reduce by 24% in a span of 10 years from 1995 to 2004. Least developed countries are exempted.
2. India is under no obligation to reduce domestic support or subsidies currently extended to agriculture.
3. No export subsidy has been extended in India.

Trade Related Intellectual Property Rights (TRIPs)

Different form of intellectual property rights (IPR) identified by TRIPs Agreement governed by WTO are
1. Patents
2. Copyrights
3. Trade marks
4. Designs
5. Trade secrets
6. Geographical indications.

1. Patent : A patent is an exclusive right granted to the inventor to use and market the invention for a limited period of time in consideration of the disclosure of the invention.The product must be (a) novel, (b) have industrial application and (c) must be useful for entitlement of a patent. Patents are given only for inventions. Inventions are solutions to specific problems in the field of technology. An invention may relate to a product or a process.

2. Copy Rights : Copy right law deals with the rights of intellectual creators. It is concerned with protecting creativity and ingenuity. It promotes and disseminates national cultural heritage. It is meant for original literary, dramatic, musical and artistic works, cinematographic films and softwares.Copy right is registered at Ministry of HRD which is valid for 60 years after author‟s death.

3. Trade mark : It is a sign that individualize the goods of a given enterprise and distinguishes them from the goods of its competitors. It is limited to word marks, abbreviations, names, figures and hologram.

4. Designs : A design includes features of structure, configuration, pattern, ornament, or composition of lines and colors applied to an article in 2 or 3 dimensional form by any technical process. The process or product can be manual, civil, electrical, chemical and mechanical or combination of all.

5. Trade secret : It is the agreement between the employer and employee to keep the research information secret or confidential. The employer can recover damages from the improper disclosure or use of his trade secret by the employee.

6. Geographical Indication : Place names used to identify products such as "Champagne", Roquefort cheese, Basmati rice etc. They provide legal means so that interested parties can stop the use of such geographical indications for products that do not originate from the used place name or do not have the usual characteristics associated with that place name.

Marketing Mix

The Marketing Mix In considering the needs of their customers, companies must think in terms of the product itself, the price of the product and the place where the customers needs it, while making sure that the existence of the product is known through effective promotion. These various components are described in more detail below

Product-

The product is the focus of marketing. Although many aspects of the product are not marketing responsibilities (such as production and processing), marketing is concerned with the product's attributes and what these mean to the customer. Such factors include quality, appearance and performance.

Price

Price creates sales revenue and is therefore important in determining the total value of the sales made. Price is really determined by what customers perceive as the value of a commodity or service. It is important to understand how customers value commodity or service as well as how much they are prepared to pay in relation to the benefit they expect to earn.

Place

The place factor deals with the various methods of transporting and storing commodities and then making them available to the customer. Getting the product to the right place at the right time depends on the distribution system. The choice of distribution method will depend on market circumstances and the nature of both the commodity and the customer.

Promotion

Promotion is the business of communicating with and influencing the customer. Although the cost associated with promotion can be a significant element in the overall cost of a product, successful product promotion increases sales so that costs are spread over a larger output. While increased promotional activity may be a response to competitor activity or a new product launch, it is important to maintain a constant flow of messages to the consumer as well as visibility in the market place.

Planning

Of the five management functions — planning, organizing, staffing, leading and controlling.

planning is the most fundamental. All other functions stem from planning. However, planning doesn't always get the attention that it deserves; when it does, many managers discover that the planning process isn't as easy as they thought it would be or that even the best-laid plans can go awry.

A plan is a blueprint for goal achievement that specifies the necessary resource allocations, schedules, tasks, and other actions.

A goal is a desired future state that the organization attempts to realize. Goals are important because an organization exists for a purpose, and goals define and state that purpose. Goals specify future ends; plans specify today's means.

MEANING OF PLANNING:

The word planning incorporates both ideas: It means determining the organization's goals and defining the means for achieving them. Planning allows managers the opportunity to adjust to the environment instead of merely reacting to it. Planning increases the possibility of survival in business by actively anticipating and managing the risks that may occur in the future.

Not only does planning provide direction and a unity of purpose for organizations, it also answers six basic questions in regard to any activity:

What needs to be accomplished?

When is the deadline?

Where will this be done?

Who will be responsible for it?

How will it get done?

How much time, energy, and resources are required to accomplish this goal?

Advantages of Planning

The military saying, “If you fail to plan, you plan to fail,” is very true. Without a plan, managers are set up to encounter errors, waste, and delays. A plan, on the other hand, helps a manager organize resources and activities efficiently and effectively to achieve goals.

The advantages of planning are numerous. Planning fulfills the following objectives:

1. **Gives an organization a sense of direction**

Without plans and goals, organizations merely react to daily occurrences without considering what will happen in the long run. For example, the solution that makes sense in the short term doesn't always make sense in the long term. Plans avoid this drift situation and ensure that short-range efforts will support and harmonize with future goals.

2. **Focuses attention on objectives and results**

Plans keep the people who carry them out focused on the anticipated results. In addition, keeping sight of the goal also motivates employees.

3. **Establishes a basis for teamwork**

Diverse groups cannot effectively cooperate in joint projects without an integrated plan. Examples are numerous: Plumbers, carpenters, and electricians cannot build a house without blueprints. In addition, military activities require the coordination of Army, Navy, and Air Force units.

4. **Helps anticipate problems and cope with change**

When management plans, it can help forecast future problems and make any necessary changes up front to avoid them. Of course, surprises — such as the 1973 quadrupling of oil prices — can always catch an organization short, but many changes are easier to forecast. Planning for these potential problems helps to minimize mistakes and reduce the “surprises” that inevitably occur.

5.

6. **Provides guidelines for decision making**.
   Decisions are future-oriented. If management doesn't have any plans for the future, they will have few guidelines for making current decisions. If a company knows that it wants to introduce a new product three years in the future, its management must be mindful of the decisions they make now. Plans help both managers and employees keep their eyes on the big picture.

TYPES OF PLANS

Plans commit individuals, departments, organizations, and the resources of each to specific actions for the future.

Three major types of plans can help managers achieve their organization's goals: strategic, tactical, and operational.

Operational plans lead to the achievement of tactical plans, which in turn lead to the attainment of strategic plans. In addition to these three types of plans, managers should also develop a contingency plan in case their original plans fail.

1. Operational plans

The specific results expected from departments, work groups, and individuals are the operational goals. These goals are precise and measurable. “Process 150 sales applications each week” or “Publish 20 books this quarter” are examples of operational goals.

An operational plan is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders, and facilitators develop operational plans to support tactical plans (see the next section). Operational plans can be a single-use plan or an ongoing plan.

Single-use plans apply to activities that do not recur or repeat. A one-time occurrence, such as a special sales program, is a single-use plan because it deals with the who, what, where, how, and how much of an activity. A budget is also a single-use plan because it predicts sources and amounts of income and how much they are used for a specific project.

Continuing or ongoing plans are usually made once and retain their value over a period of years while undergoing periodic revisions and updates. The following are examples of ongoing plans:

A policy provides a broad guideline for managers to follow when dealing with important areas of decision making. Policies are general statements that explain how a manager should attempt to handle routine management responsibilities. Typical human resources policies, for example, address such matters as employee hiring, terminations, performance appraisals, pay increases, and discipline.

A procedure is a set of step-by-step directions that explains how activities or tasks are to be carried out. Most organizations have procedures for purchasing supplies and equipment, for example. This procedure usually begins with a supervisor completing a purchasing requisition. The requisition is then sent to the next level of management for approval. The approved requisition is forwarded to the purchasing department. Depending on the amount of the request, the purchasing department may place an order, or they may need to secure quotations and/or bids for several vendors before placing the order. By defining the steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.

2. Tactical plans

A tactical plan is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work.

Tactical plans are concerned with shorter time frames and narrower scopes than are strategic plans. These plans usually span one year or less because they are considered short-term goals. Long-term goals, on the other hand, can take several years or more to accomplish. Normally, it is the middle manager's responsibility to take the broad strategic plan and identify specific tactical actions.

3. Strategic plans

A strategic plan is an outline of steps designed with the goals of the entire organization as a whole in mind, rather than with the goals of specific divisions or departments. Strategic planning begins with an organization's mission.

Strategic plans look ahead over the next two, three, five, or even more years to move the organization from where it currently is to where it wants to be. Requiring multilevel involvement, these plans demand harmony among all levels of management within the organization. Top-level management develops the directional objectives for the entire organization, while lower levels of management develop compatible objectives and plans to achieve them. Top management's strategic plan for the entire organization becomes the framework and sets dimensions for the lower level planning.

4. Contingency plans

Intelligent and successful management depends upon a constant pursuit of adaptation, flexibility, and mastery of changing conditions. Strong management requires a “keeping all options open” approach at all times — that's where contingency planning comes in. Contingency planning involves identifying alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circumstances.

Keep in mind that events beyond a manager's control may cause even the most carefully prepared alternative future scenarios to go awry. Unexpected problems and events frequently occur. When they do, managers may need to change their plans. Anticipating change during the planning process is best in case things don't go as expected. Management can then develop alternatives to the existing plan and ready them for use when and if circumstances make these alternatives appropriate.

ORGANIZING

The second function of management is organizing. After a manager has a plan in place, she can structure her teams and resources. This important step can profoundly affect an organization's success. Not only does a business's organizational structure help determine how well its employees make decisions, but it also reflects how well they respond to problems. These responses, over time, can make or break an organization. In addition, the organizational structure influences employees' attitudes toward their work. A suitable organizational structure can minimize a business's costs, as well as maximize its efficiency, which increases its ability to compete in a global economy.

MEANING OF ORGANISING

Once managers have their plans in place, they need to organize the necessary resources to accomplish their goals. Organizing, the second of the universal management functions, is the process of establishing the orderly use of resources by assigning and coordinating tasks. The organizing process transforms plans into reality through the purposeful deployment of people and resources within a decision-making framework known as the organizational structure.

The organizational structure is defined as

The set of formal tasks assigned to individuals and departments

The formal reporting relationships, including lines of authority, decision responsibility, number of hierarchical levels, and span of managerial control

The design of systems to ensure effective coordination of employees across departments

The organizational structure provides a framework for the hierarchy, or vertical structure, of the organization. An organizational chart is the visual representation of this vertical structure.

THE ORGANIZATIONAL PROCESS

Organizing, like planning, must be a carefully worked out and applied process. This process involves determining what work is needed to accomplish the goal, assigning those tasks to individuals, and arranging those individuals in a decision-making framework (organizational structure).

In general, the organizational process consists of five steps (a flowchart of these steps is shown in Figure 6.1):

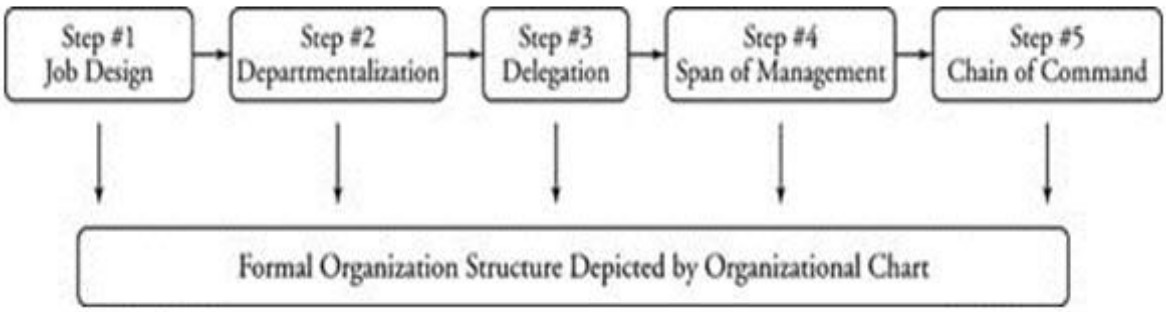


Figure 6.1: The organizational process

1. Review plans and objectives.

Objectives are the specific activities that must be completed to achieve goals. Plans shape the activities needed to reach those goals. Managers must examine plans initially and continue to do so as plans change and new goals are developed.

2. Determine the work activities necessary to accomplish objectives.

Although this task may seem overwhelming to some managers, it doesn't need to be. Managers simply list and analyze all the tasks that need to be accomplished in order to reach organizational goals.

3. Classify and group the necessary work activities into manageable units.

A manager can group activities based on four models of departmentalization: functional, geographical, product, and customer.

4. Assign activities and delegate authority.

Managers assign the defined work activities to specific individuals. Also, they give each individual the authority (right) to carry out the assigned tasks.

DIRECTING

Directing is concerned with telling subordinates what to do and seeing that they do it as best they can. It includes assigning tasks and duties, explaining procedures, issuing orders, providing on-the-job instructions, monitoring performance, and correcting deviations.

The directing function includes the following:

i) Supervising
ii) Guiding
iii) Leading
iv) Motivating
v) Communicating

COMMUNICATING

Communication means sharing ideas in common. It means a verbal or written message, an exchange of information, a system of communicating, and a process by which meanings are exchanged between individuals through a common system of symbols.

Elements of Communication Process

1. A communicator who sends message
2. Encoding i.e., putting the message in suitable words
3. Receiver or respondent or audience
4. Decoding (understanding the message exactly as it has been sent)
5. Response i.e., reaction of the respondent by way of reply, action or use of message

STAFFING

After an organization's structural design is in place, it needs people with the right skills, knowledge, and abilities to fill in that structure. People are an organization's most important resource, because people either create or undermine an organization's reputation for quality in both products and service. Because of the importance of hiring and maintaining a committed and competent staff, effective human resource management is crucial to the success of all organizations.

MEANING OF STAFFICNG

Human resource management (HRM), or staffing, is the management function devoted to acquiring, training, appraising, and compensating employees. In effect, all managers are human resource managers, although human resource specialists may perform some of these activities in large organizations. Solid HRM practices can mold a company's workforce into a motivated and committed team capable of managing change effectively and achieving the organizational objectives.

Understanding the fundamentals of HRM can help any manager lead more effectively. Every manager should understand the following three principles:

1. All managers are human resource managers.
2. Employees are much more important assets than buildings or equipment; good employees give a company the competitive edge.
3. Human resource management is a matching process; it must match the needs of the organization with the needs of the employee.
4. Determining Human Resource Needs

RECRUITING STRATEGIES

Recruitment includes all the activities an organization may use to attract a pool of viable candidates. Keep in mind that recruiting strategies differ among organizations. Although one may instantly think of campus recruiting as a typical recruiting activity, many organizations use internal recruiting, or promote-from-within policies, to fill their high-level positions. Open positions are posted, and current employees are given preferences when these positions become available. Internal recruitment is less costly than an external search. It also generates higher employee commitment, development, and satisfaction because it offers opportunities for career advancement to employees rather than outsiders.

If internal sources do not produce an acceptable candidate, many external recruiting strategies are available, including the following:

1. Newspaper advertising
2. Employment agencies (private, public, or temporary agencies)
3. Executive recruiters (sometimes called headhunters)
4. Unions
5. Employee referrals
6. Internship programs
7. Internet employment sites

But there's more to recruiting than just attracting employees; managers need to be able to weed out the top candidates. Once a manger has a pool of applicants, the selection process can begin.

SELECTING THE BEST PERSON FOR THE JOB

Having the right people on staff is crucial to the success of an organization. Various selection devices help employers predict which applicants will be successful if hired. These devices aim to be not only valid, but also reliable. Validity is proof that the relationship between the selection device and some relevant job criterion exists. Reliability is an indicator that the device measures the same thing consistently. For example, it would be appropriate to give a keyboarding test to a candidate applying for a job as an administrative assistant. However, it would not be valid to give a keyboarding test to a candidate for a job as a physical education teacher. If a keyboarding test is given to the same individual on two separate occasions, the results should be similar. To be effective predictors, a selection device must possess an acceptable level of consistency.

SELECTION TECHNIQUES

1. **Application forms**

For most employers, the application form is the first step in the selection process. Application forms provide a record of salient information about applicants for positions, and also furnish data for personnel research. Interviewers may use responses from the application for follow-up questions during an interview.

These forms range from requests for basic information, such as names, addresses, and telephone numbers, to comprehensive personal history profiles detailing applicants' education, job experience skills, and accomplishments.

2. **Testing**

Testing is another method of selecting competent future employees. Although testing use has ebbed and flowed during the past two decades, recent studies reveal that more than 80 percent of employers use testing as part of their selection process.

Most tests focus on specific job-related aptitudes and skills, such as math or motor skills.

3. **Interviews**

Another widely used selection technique is the interview, a formal, in-depth conversation conducted to evaluate an applicant's acceptability. In general, the interviewer seeks to answer three broad questions:

Can the applicant do the job?

Will the applicant do the job?

How does the applicant compare with others who are being considered for the job?

Interviews are popular because of their flexibility. They can be adapted to unskilled, skilled, managerial, and staff employees. They also allow a two-way exchange of information where interviewers can learn about the applicant and the applicant can learn about the employer.

Managers can boost the reliability and validity of selection interviews by planning the interviews, establishing rapport, closing the interview with time for questions, and reviewing the interview as soon as possible after its conclusion.

4. **Other selection techniques**

Reference checking and health exams are two other important selection techniques that help in the staffing decision.

a. Reference checking allows employers to verify information supplied by the candidate. However, obtaining information about potential candidates is often difficult because of privacy laws and employer concerns about defamation lawsuits.
b. Health exams identify health problems that increase absenteeism and accidents, as well as detecting diseases that may be unknown to the applicant.

JOB ORIENTATION AND TRAINING PROGRAMS

Once employees are selected, they must be prepared to do their jobs, which is when orientation and training come in. Orientation means providing new employees with basic information about the employer. Training programs are used to ensure that the new employee has the basic knowledge required to perform the job satisfactorily.

Orientation and training programs are important components in the processes of developing a committed and flexible high-potential workforce and socializing new employees. In addition, these programs can save employers money, providing big returns to an organization, because an organization that invests money to train its employees results in both the employees and the organization enjoying the dividends.

Job Orientation

Orientation programs not only improve the rate at which employees are able to perform their jobs but also help employees satisfy their personal desires to feel they are part of the organization's social fabric. The HR department generally orients newcomers to broad organizational issues and fringe benefits. Supervisors complete the orientation process by introducing new employees to coworkers and others involved in the job. A buddy or mentor may be assigned to continue the process.

Training needs

Simply hiring and placing employees in jobs does not ensure their success. In fact, even tenured employees may need training, because of changes in the business environment. Here are some changes that may signal that current employees need training:

a) Introduction of new equipment or processes
b) A change in the employee's job responsibilities
c) An increase in safety violations or accidents
d) An increased number of questions
e) Complaints by customers or coworkers

Training methods

1. **On the Job**
2. **Off the Job**

Most training takes place on the job due to the simplicity and lower cost of on-the-job training methods. **Two popular types of on-the-job** training include the following:

Job rotation. By assigning people to different jobs or tasks to different people on a temporary basis, employers can add variety and expose people to the dependence that one job has on others. Job rotation can help stimulate people to higher levels of contributions, renew people's interest and enthusiasm, and encourage them to work more as a team.

Mentoring programs. A new employee frequently learns his or her job under the guidance of a seasoned veteran. In the trades, this type of training is usually called an apprenticeship. In white-collar jobs, it is called a coaching or mentoring relationship. In each, the new employee works under the observation of an experienced worker.

EVALUATING EMPLOYEE PERFORMANCE

Employee performance should be evaluated regularly. Employees want feedback—they want to know what their supervisors think about their work. Regular performance evaluations not only provide feedback to employees, but also provide employees with an opportunity to correct deficiencies. Evaluations or reviews also help in making key personnel decisions, such as the following:

a) Justifying promotions, transfers, and terminations
b) Identifying training needs
c) Providing feedback to employees on their performance
d) Determining necessary pay adjustments

Most organizations utilize employee evaluation systems; one such system is known as a performance appraisal. A performance appraisal is a formal, structured system designed to measure the actual job performance of an employee against designated performance standards. Although performance appraisals systems vary by

organizations, all employee evaluations should have the following three components:

a) Specific, job-related criteria against which performance can be compared
b) A rating scale that lets employees know how well they're meeting the criteria
c) Objective methods, forms, and procedures to determine the rating

Traditionally, an employee's immediate boss conducts his or her performance appraisal. However, some organizations use other devices, such as peer evaluations, self-appraisals, and even customer evaluations, for conducting this important task.

The latest approach to performance evaluation is the use of 360-degree feedback. The 360-degree feedback appraisal provides performance feedback from the full circle of daily contacts that an employee may have. This method of performance appraisal fits well into organizations that have introduced teams, employee involvement, and TQM programs.

COMPENSATING EMPLOYEES

Employee compensation refers to all work-related payments, including wages, commissions, insurance, and time off.

Wages and salaries are the most obvious forms of compensation and are based on job evaluations that determine the relative values of jobs to the organization. Employee benefits are supplements to wages or pay. Some benefits, such as unemployment and worker's compensation, are legally mandated. Other benefits are optional and help build employee loyalty to an organization, including the following:

a) Health insurance
b) Pension plans
c) Employee discounts
d) Vacation, sick, and personal days
e) Bonuses
f) Profit-sharing
g) Stock options (a plan that permits employees to buy shares of stock in the employee's firm at or below the present market value)

LEADING

Leading is establishing direction and influencing others to follow that direction. But this definition isn't as simple as it sounds because leadership has many variations and different areas of emphasis. Common to all definitions of leadership is the notion that leaders are individuals who, by their actions, facilitate the movement of a group of people toward a common or shared goal. This definition implies that leadership is an influence process.

Six core characteristics that the majority of effective leaders :

1. **Drive.** Leaders are ambitious and take initiative.
2. **Motivation.** Leaders want to lead and are willing to take charge.
3. **Honesty and integrity.** Leaders are truthful and do what they say they will do.
4. **Self-confidence.** Leaders are assertive and decisive and enjoy taking risks. They admit mistakes and foster trust and commitment to a vision. Leaders are emotionally stable rather than recklessly adventurous.
5. **Cognitive ability.** Leaders are intelligent, perceptive, and conceptually skilled, but are not necessarily geniuses. They show analytical ability, good judgment, and the capacity to think strategically.
6. **Business knowledge.** Leaders tend to have technical expertise in their businesses.

LEADERSHIP SKILLS

These competencies depend on a variety of factors:

a) The number of people following the leader
b) The extent of the leader's leadership skills
c) The leader's basic nature and values
d) The group or organization's background, such as whether it's for profit or not-for-profit, new or long established, large or small
e) To help managers refine these skills, leadership-training programs typically propose guidelines for making decisions, solving problems, exercising power and influence, and building trust.

LEADERSHIP STYLES

The following are common leadership styles:

1. **Autocratic-**

The manager makes all the decisions and dominates team members. This approach generally results in passive resistance from team members and requires continual pressure and direction from the leader in order to get things done. Generally, this approach is not a good way to get the best performance from a team. However, this style may be appropriate when urgent action is necessary or when subordinates actually prefer this style.

2. **Participative-**

The manager involves the subordinates in decision making by consulting team members (while still maintaining control), which encourages employee ownership for the decisions.

A good participative leader encourages participation and delegates wisely, but never loses sight of the fact that he or she bears the crucial responsibility of leadership. The leader values group discussions and input from team members; he or she maximizes the members' strong points in order to obtain the best performance from the entire team. The participative leader motivates team members by empowering them to direct themselves; he or she guides them with a loose rein. The downside, however, is that a participative leader may be seen as unsure, and team members may feel that everything is a matter for group discussion and decision.

3. **Laissez-faire (free-rein)-**

In this hands-off approach, the leader encourages team members to function independently and work out their problems by themselves, although he or she is available for advice and assistance. The leader usually has little control over team members, leaving them to sort out their roles and tackle their work assignments without personally participating in these processes. Laissez-faire is usually only appropriate when the team is highly motivated and skilled, and has a history of producing excellent work.

CONTROL

Simply put, organizational control is the process of assigning, evaluating, and regulating resources on an ongoing basis to accomplish an organization's goals. To successfully control an organization, managers need to not only know what the performance standards are, but also figure out how to share that information with employees.

MEANING OF CONTROL

Control can be defined narrowly as the process a manager takes to assure that actual performance conforms to the organization's plan, or more broadly as anything that regulates the process or activity of an organization. The following content follows the general interpretation by defining managerial control as monitoring performance against a plan and then making adjustments either in the plan or in operations as necessary.

The Six Major Purposes Of Controls Are As Follows:

1. Controls make plans effective. Managers need to measure progress, offer feedback, and direct their teams if they want to succeed.
2. Controls make sure that organizational activities are consistent. Policies and procedures help ensure that efforts are integrated.
3. Controls make organizations effective. Organizations need controls in place if they want to achieve and accomplish their objectives.
4. Controls make organizations efficient. Efficiency probably depends more on controls than any other management function.
5. Controls provide feedback on project status. Not only do they measure progress, but controls also provide feedback to participants as well. Feedback influences behavior and is an essential ingredient in the control process.
6. Controls aid in decision making. The ultimate purpose of controls is to help managers make better decisions. Controls make managers aware of problems and give them information that is necessary for decision making.

ORGANIZATIONAL CONTROL TECHNIQUES

Control techniques provide managers with the type and amount of information they need to measure and monitor performance. The information from various controls must be tailored to a specific management level, department, unit, or operation.

1. **Financial controls**

After the organization has strategies in place to reach its goals, funds are set aside for the necessary resources and labor. Financial statements provide management with information to monitor financial resources and activities. The income statement shows the results of the organization's operations over a period of time, such as revenues, expenses, and profit or loss. The balance sheet shows what the organization is worth (assets) at a single point in time, and the extent to which those assets were financed through debt (liabilities) or owner's investment (equity).

a) Liquidity ratios measure an organization's ability to generate cash.
b) Profitability ratios measure an organization's ability to generate profits.
c) Debt ratios measure an organization's ability to pay its debts.
d) Activity ratios measure an organization's efficiency in operations and use of assets.

2. **Budget controls**

A budget depicts how much an organization expects to spend (expenses) and earn (revenues) over a time period. Amounts are categorized according to the type of business activity or account, such as telephone costs or sales of catalogs.

3. **Marketing controls**

Marketing controls help monitor progress toward goals for customer satisfaction with products and services, prices, and delivery. The following are examples of controls used to evaluate an organization's marketing functions:

Market research gathers data to assess customer needs—information critical to an organization's success. Ongoing market research reflects how well an organization is meeting customers' expectations and helps anticipate customer needs. It also helps identify competitors.

4. **Human resource controls**

Human resource controls help managers regulate the quality of newly hired personnel, as well as monitor current employees' developments and daily performances.

On a daily basis, managers can go a long way in helping to control workers' behaviors in organizations. They can help direct workers' performances toward goals by making sure those goals are clearly set and understood. Managers can also institute policies and procedures to help guide workers' actions. Finally, they can consider past experiences when developing future strategies, objectives, policies, and procedures.

5. **Computers and information controls**

Almost all organizations have confidential and sensitive information that they don't want to become general knowledge. Controlling access to computer databases is the key to this area.

Financial Analysis

Financial analysis is one of the roots of management used to carry out its controlling function. Proper interpretation of data presented by the financial statement helps in judging the profitability of operations during given time periods, in determining the soundness of financial condition at a specific date. The term financial statement refers to two basic statements that an accountant prepares at the end of a specified period of time for a business enterprise.

1. **Balance sheet :** It is a statement of financial position of a firm at a particular point of time.
2. **Income statement**: It is also called profit-loss statement. It shows firm‟s earnings for the period covered, usually half yearly or yearly.

Balance sheet

Balance Sheet From an analyst point of view, it is a written representation of resources and liabilities of the business firm. It shows the financial condition of the business firm at a given date. The balance sheet contains and reports on assets, liabilities and net worth of a firm. Assets must always equal the sum of liabilities and net worth. What is owned by or owed to firm (assets) must equal what the firm owes to its creditors plus what is owed to its owners (net worth). Balance sheet indicates the sources from which business obtained capital for its operations and the form in which that capital is invested on a specific date.

Limitation :

It is an interim statement between two operating periods. It summarizes solvency of business at a given time rather than financial transactions occurred in business during an accounting period.

Income Statement

Income Statement It is also called profit and loss statement. It states the source of firm‟s incomes, describes the nature of the expenses, and shows the net profit earned (or net loss incurred) during an accounting period. It is supporting evidence to balance sheet, in the sense, that it explains the change in retained earnings on the balance sheet.

Uses of Income Statement

1. Can determine what profit is earned by the business.
2. Can find particular causes of low profit or operating losses.
3. Management can take action to prevent the occurrences of future losses or to prevent further decline in profits

Comparison Of Balance Sheet And Income Statement

No	Balance sheet or Net worth statement	Income statement or profit or loss statement
1	Net worth statement is a summary of assets, liabilities and owner's equity at a given point of time	Income statement is a summary of both cash and non cash financial transactions of farm business accrued during the selected accounting period
2	The most commonly requested document by a lender in reviewing a loan request.	It is used to measure the financial profitability of business during a period of time.
3	It is used in preparation of income statement and tax returns	It is used in making an analysis of the business profitability, efficiency and financial stability.
4	Net worth statement offers a little insight into financial transactions of accrued in business during an accounting period.	Information from this document is used in preparation of cash flow summary.

Financial Tests Ratio analysis:

It has the following advantages

1. Has no units
2. Compares numerator with respect to denominator
3. Relative and comparable

Ratio analysis will explain what strength, weakness, pressures and forces are currently at work in your business operation farm business managers will need a full time job accountant for the change accruing in his capital structure and net worth as revealed in his balance sheet.

Maslow's Hierarchy of Needs Theory

Abraham Maslow is well renowned for proposing the Hierarchy of Needs Theory in 1943. This theory is a classical depiction of human motivation.

This theory is based on the assumption that there is a hierarchy of five needs within each individual. The urgency of these needs varies.

These five needs are as follows-

Physiological needs- These are the basic needs of air, water, food, clothing and shelter. In other words, physiological needs are the needs for basic amenities of life.

Safety needs- Safety needs include physical, environmental and emotional safety and protection. For instance- Job security, financial security, protection from animals, family security, health security, etc.

Social needs- Social needs include the need for love, affection, care, belongingness, and friendship.

Self Esteem needs- Esteem needs are of two types: internal esteem needs (self-respect, confidence, competence, achievement and freedom) and external esteem needs (recognition, power, status, attention and admiration).

Self-actualization need- This include the urge to become what you are capable of becoming / what you have the potential to become. It includes the need for growth and self-contentment. It also includes desire for gaining more knowledge, social-service, creativity and being aesthetic.

Limitations of Maslow's Theory

It is essential to note that not all employees are governed by same set of needs. Different individuals may be driven by different needs at same point of time. It is always the most powerful unsatisfied need that motivates an individual.

The theory is not empirically supported.

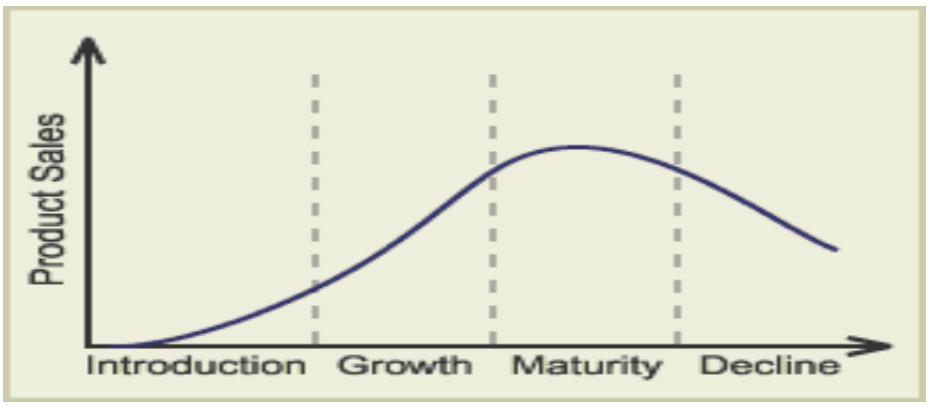
The theory is not applicable in case of starving artist as even if the artist's basic needs are not satisfied, he will still strive for recognition and achievement.

The Product Life Cycle

A new product progresses through a sequence of stages from introduction to growth, maturity, and decline. This sequence is known as the **product life cycle** and is associated with changes in the marketing situation, thus impacting the marketing strategy and the marketing mix.

The product revenue and profits can be plotted as a function of the life-cycle stages as shown in the graph below:

Product Life Cycle Diagram



Introduction Stage

In the introduction stage, the firm seeks to build product awareness and develop a market for the product. The impact on the marketing mix is as follows:

- **Product** branding and quality level is established, and intellectual property protection such as patents and trademarks are obtained.
- **Pricing** may be low penetration pricing to build market share rapidly, or high skim pricing to recover development costs.
- **Distribution** is selective until consumers show acceptance of the product.

- **Promotion** is aimed at innovators and early adopters. Marketing communications seeks to build product awareness and to educate potential consumers about the product.

Growth Stage

In the growth stage, the firm seeks to build brand preference and increase market share.

- **Product** quality is maintained and additional features and support services may be added.
- **Pricing** is maintained as the firm enjoys increasing demand with little competition.
- **Distribution** channels are added as demand increases and customers accept the product.
- **Promotion** is aimed at a broader audience.

Maturity Stage

At maturity, the strong growth in sales diminishes. Competition may appear with similar products. The primary objective at this point is to defend market share while maximizing profit.

- **Product** features may be enhanced to differentiate the product from that of competitors.
- **Pricing** may be lower because of the new competition.
- **Distribution** becomes more intensive and incentives may be offered to encourage preference over competing products.
- **Promotion** emphasizes product differentiation.

Decline Stage

As sales decline, the firm has several options:

- Maintain the product, possibly rejuvenating it by adding new features and finding new uses.
- Harvest the product - reduce costs and continue to offer it, possibly to a loyal niche segment.
- Discontinue the product, liquidating remaining inventory or selling it to another firm that is willing to continue the product.

The marketing mix decisions in the decline phase will depend on the selected strategy. For example, the product may be changed if it is being rejuvenated, or left unchanged if it is being harvested or liquidated. The price may be maintained if the product is harvested, or reduced drastically if liquidated.

PROMOTION MIX

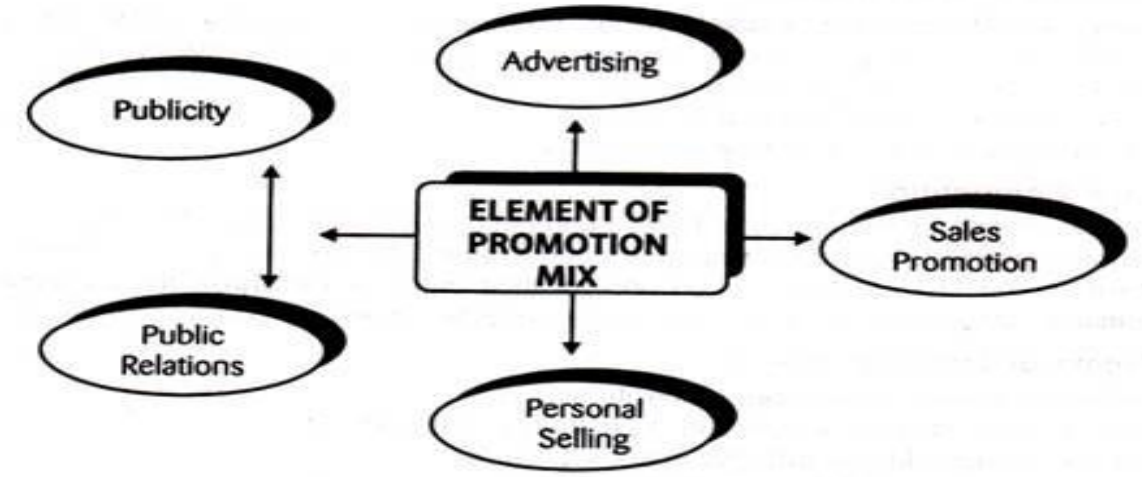


Figure 1: Elements of Market Promotion Mix

Elements/Types of Promotion Mix

Advertising is the paid presentation and promotion of ideas, goods, or services by an identified sponsor in a mass medium. Examples include print ads, radio, television, billboard, direct mail, brochures and catalogs, signs, in-store displays, posters, mobile apps, motion pictures, web pages, banner ads, emails.

Characteristics of advertising are as follow:

i. Adverting is non-personal or mass communication. Personal contact is not possible.
ii. It is a paid form of communication.
iii. It is a one-way communication
iv. Identifiable entity/sponsor-company or person gives advertising.
v. It is costly option to promote the sales.
vi. It can be reproduced frequently as per need.
vii. Per contact cost is the lowest.
viii. Various audio-visual, print, and outdoor media can be used for advertising purpose.
ix. It is a widely used and highly popular tool of market promotion.

Personal selling is the process of helping and persuading one or more prospects to purchase a good or service or to act on any idea through the use of an oral presentation, often in a face-to-face manner or by telephone. Examples include sales presentations, sales meetings, sales training and incentive programs for intermediary salespeople, samples, and telemarketing.

Characteristics of personal selling have been listed below:

i. Personal selling is an oral, face-to-face, and personal presentation with consumers.
ii. Basic purpose is to promote products or increase sales.
iii. It involves two-way communication.
iv. Immediate feedback can be measured.
v. It is an ability of salesmen to persuade or influence buyers.
vi. It is more flexible way of market communication.
vii. Per contact cost is higher than advertising.
viii. It involves teaching, educating, and assisting people to buy.

Sales Promotion is media and non-media marketing communication used for a pre-determined limited time to increase consumer demand, stimulate market demand or improve product availability. Examples include coupons, sweepstakes, contests, product samples, rebates, tie-ins, self-liquidating premiums, trade shows, trade-ins, and exhibitions.Corporate giveaway items, sometimes called *swag*, can be included within product samples and distributed to participants at an event for promotional purposes.

Characteristics of sales promotion are as follows:

i. The primary purpose of sales promotion is to induce customers for immediate buying or dealer effectiveness or both.
ii. Excessive use of sale promotion may affect sales and reputation of a company adversely.
iii. It is taken as supplementary to advertising and personal selling efforts.
iv. It involves all the promotional efforts other than advertising, personal selling, and publicity.
v. It consists of short-term incentives, schemes, or plans offered to buyers, salesmen, and/ or dealers.

Public relations or publicity is information about a firm's products and services carried by a third party in an indirect way. This includes free publicity as well as paid efforts to stimulate discussion and interest. It can be accomplished by planting a significant news story indirectly in the media, or presenting it favorably through press releases or corporate anniversary parties. Examples include newspaper and magazine articles, TVs and radio presentations, charitable contributions, speeches, issue advertising, seminars

Characteristic Of Publicity Include:

i. Publicity involves obtaining favourable presentation about company or company's offers upon radio, television, or stage that is not paid for by the sponsor.
ii. It is a non-paid form of market promotion. However, several indirect costs are involved in publicity.
iii. Mostly, publicity can be carried via newspapers, magazines, radio or television.
iv. Company has no control over publicity in terms of message, time, frequency, information, and medium.
v. It has a high degree of credibility. Publicity message is more likely to be read and reacted by audience.
vi. Publicity can be done at a much lower cost than advertising. Company needs to spend a little amount to get the event or activity publicized.

Direct Marketing is a channel-agnostic form of advertising that allows businesses and nonprofits to communicate directly to the customer, with methods such as mobile messaging, email, interactive consumer websites, online display ads, fliers, catalog distribution, promotional letters, and outdoor advertising.

Corporate image campaigns have been considered as part of the promotional mix

Sponsorship of an event or contest or race is a way to generate further positive publicity.

Product placement is paying a movie studio or television show to include a product or service prominently in the show.

Digital marketing is the marketing of products or services using digital technologies, mainly on the Internet, but also including mobile phones, display advertising, and any other digital medium.