Importance of Agri start-ups in India

What is the issue?

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Agri start-ups that serve the small farmer need more seed funding, incubation and mentoring to make an impact.

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What is the need?

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- Modernising Indian agriculture will require change in key elements of the sector - supply chains and markets; production support; credit and crop insurance.
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- Indian entrepreneurs are developing new technologies and business models to meet this challenge.
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- In 2018, the country had nearly 500 agricultural start-ups.
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- In the past five years alone, these start-ups raised nearly $130 million from investors in about 70 deals.
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- However, supply chains for perishable commodities such as fruits and vegetables still remain largely fragmented in India, with smallholder farmers earning low margins.
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- Unpredictable demand, price volatility and post-harvest losses compound the risks.
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- Hence, they need much more investment and support to fulfil their potential.
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What are the successful business models so far?

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- **Supply chain efficiency** – A number of start-ups are using data and technology to improve supply chain efficiency.
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- WayCool, distributes fresh produce to sellers ranging from small shops to large retail outlets, reduces waste and inefficiency by using analytics, process management software and connected devices.
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- Jumbotail, connects retail grocery stores with food processors and farmer producer organizations.
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- Ergos, operates a chain of efficient and hygienic rural warehousing facilities that are located within easy access of small farms.
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- **Production support** - A number of start-ups have created alternative channels to deliver inputs to farmers at low cost.
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- AgroStar, created a standalone mobile app, a web service, and a customer call centre, through which farmers can obtain high-quality products for all of their farming needs.
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- Most small farmers cannot afford to buy farm equipment.
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- In such cases, some start-ups are offering on-demand rentals and enabling farmers who own equipment to rent it to others.
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- Gold Farm, connects farmers who need equipment with farmers who own equipment using a cloud-based platform.
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- **Finance** - Most small farmers lack access to collateral-free financing and crop insurance.
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- To overcome, some start-ups use satellite imagery and machine learning to facilitate crop insurance for smallholder farmers that come with reduced premiums and more timely and accurate payouts.
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What should be done?

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- Agricultural start-ups in India have addressed systemic bottlenecks in the agricultural sector, instead of focussing on specific commodities.

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- As a result, they have the potential to scale up nationwide.
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- However, in addition to investment capital, Indian agricultural start-ups need technical advice and access to global markets and talent.
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- Several venture capital and private equity funds are stepping in and applying their experience from other sectors and countries.
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- Investments across the agricultural supply chain in India have averaged about $250 million in each of the last five years.
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- But most of that capital has gone into front-end supply chain solutions, including branding, distribution and food delivery rather than farmer-focussed innovations.
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- Thus, start-ups that serve small farmers need more seed funding, early-stage capital, incubation and mentoring to unlock their immense growth potential.
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- If that is done, Indian start-ups can help define the future of Indian agriculture.
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Source: Business Line

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