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A Snapshot of Indian Startups in Agriculture Sector

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India has currently become the third largest start-up ecosystem in the world. This status has been achieved based on the conducive policies initiated by both central and state governments of our country. From merely a handful of 350 Startups in the year 2014 to reaching more than 80,000 within this quick span of time (less than 10 years) is an encouraging journey for the nation. However, this growth has displayed certain unique trends particularly in certain sectors such as agriculture. It becomes even more important to critically understand this aspect as majority of our population is directly and indirectly dependent on this sector and any entrepreneurial intervention of such scale may transform the overall sector.

What are Startups?

According to Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry, Government of India, a startup is an enterprise that should fulfil the following criteria:

- Up to a period of ten years from the date of incorporation/ registration, if it is incorporated as a private limited company (as defined in the Companies Act, 2013) or registered as a partnership firm (registered under section 59 of the Partnership Act, 1932) or a limited liability partnership (under the Limited Liability Partnership Act, 2008) in India.
- Turnover of the entity for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees.
- Entity is working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation. Provided that an entity formed by splitting up or reconstruction of an existing business shall not be considered a 'Startup'.

It means that the enterprise should not be in operation or existence for more than 10 years from the date of incorporation, it should be registered as a Private Ltd or Partnership Firm or a Limited Liability Partnership firm and its annual turnover should not have exceeded ₹100 crore since its incorporation. If it has been formed by splitting or restructuring of the existing business, it cannot be termed as a Startup. It is important to highlight here that it should have high potential for wealth creation through innovation and development of existing/ new products and services. Although during past 8-10 years, more than 1.5 lakh new enterprises were registered, but all could not be classified as Startups as per the norms of DPIIT.

Growth of Agriculture Start-ups in India

As of 2023, there were around 3000 start-ups working in agriculture sector (Tracxn, 2023). Some of the prominent start-ups include DeHaat, Ninjacart, WayCool, Licious, Agrostar,

Captain Fresh, Reshamandi, Otipy, Fesh To Home Foods, Far Mart, Fruvetech Private Limited, Wolkus Technology Solutions Private Limited, Natura Crop Care etc. However, around 374 of such Startups are only recognised by DPIIT (April 2023). However, there are about 2207 DPIIT recognized Startups in the Agri-Tech industry and generating employment to around 20,000 people. Most of such Startups are based at Maharashtra.

These agri-startups are working on innovative solutions related to pressing issues of agriculture, such as post-harvest management, soil and water management, processing, supply chain, marketing, market intelligence, exports etc. They try to bring efficiency in this sector by improving productivity, reducing costs, and thereby improving the income of farmers. Thus, these Startups in one hand help in employment generation, on the other hand contribute to income augmentation of farmers and rural community.

Issues Faced by Agri-Startups

Globally, the long term success rate of Startups is less than 10%. It means that there are multiple issues and challenges that such enterprises need to manage so that they are able to actually cross through the initial cycle of trials and shocks of market realities. Although every entrepreneur has its own challenges, certain issues, as highlighted below, which may be more systemic, needs to be highlighted for better appreciation:

- a) Issues in identifying a robust business model: Agriculture sector has its own peculiarity, particularly in Indian context. At farmer's level, there are many challenges associated with production including the issue of scalability and aggregation. Many a times the entrepreneur is not able to bring forth a viable and long term sustainable business model. Lack of better appreciation of the real issue is one of the key reasons for this factor.
- b) Funding support: Getting funding support, both initially (in the form of seed fund) and subsequently for business scaling up, is still a challenge for the Startups. If we go by recent trends, there has been general slump in funding support by venture capitalists as well other funding organizations. Lack of fund results into business stagnancy and the Startups are not able to develop their business further.
- c) Lack of Mentoring: Although there are many incubation centres, many a times there is a mismatch between the requirement of the entrepreneur and the facilities provided by the incubation centres. Also, there may not be enough capable mentors to provide necessary guidance to these budding entrepreneurs about the Startups and how to actually expand the business quickly.
- d) Limited knowledge of available technology: Entrepreneurs in Agri-Startups may also face some issues related to their level of awareness related to high end technology. This poses a serious challenge in terms of their ability to identify and integrate the best solution for a successful business.
- e) Integrated ecosystem: There has been an improvement in the startup ecosystem in our country and however agri-based Startups are not able to take maximum benefit out these improvements. Therefore, there appears to be a requirement for more integration among the existing components of the ecosystem with major focus on agriculture sector.

Path Forward and Conclusion

Agriculture sector is likely to play a major role in Indian economy in times to come. Therefore, there is a need to give a lot of emphasis on this sector considering its potential to transform India's growth path by not only creating new employment opportunities through large scale entrepreneurship but also make it more sustained growth with innate ability to withstand any external shocks as it did during COVID-19 pandemic. Considering these opportunities, the initiatives taken by the government in agriculture sector such as Agri-Infrastructure Fund, 10000 FPOs scheme, various special schemes for agriculture sector both by central and state governments are likely to further promote growth of Startups in this

sector in times to come. More initiatives to integrate the various components of startup ecosystem may be required to get even better results in future.

Further readings and References

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