E-AGRIBUSINESS: INNOVATIVE TOOL FOR SUSTAINABLE RURAL DEVELOPMENT

Dr. Bhavana Khapekar
Assistant Professor, L.A.D. College for Women,
Nagpur

Abstract

e-Agriculture *is a global Community of Practice, where people from all over the world exchange information, ideas, and resources related to the use of information and communication technologies (ICT) for sustainable* ***agriculture*** *and rural development. India Tobacco Company (ITC) Limited Agri Business Division has taken an initiative in India through e-Choupal model to tackle the challenges posed by the unique features of Indian agriculture, characterized by fragmented farms, weak infrastructure and the involvement of numerous intermediaries, who block critical market information from passing to the farmers and use that information for getting a big margin for themselves. The intermediaries capitalized on the economies of information and economies of physical things, which are tied together in a bundle. Due to this, the farmers do not get the proper price of its product & they continue to live below the poverty line. But e-Choupal sets things in order as it smoothens the flow of information to the farmers by disinter mediating intermediaries from the chain of information flow and at the same time leverages the physical transmission capabilities of the them as they deliver critical value at every link for a very low cost in a weak infrastructure environment. By careful planning ITC has been able to convert e-Choupal into a e-hub that could be used for purchase and sale of many commodities and inputs. It facilitates other operators like inputs providers and rural distributors to work effectively through the "e-Choupal" to deliver and procure goods from every participating village. This provides them with an integrated system and a live Meta market with no inherent inefficiencies.*

Key Words: e-Choupal, ITC, E-hub, Sustainable Development.

Introduction

Agriculture is vital to India. It produces a large share of GDP, feeds a billion people, and employs numerous workforce of the country. Because of the Green Revolution, India's agricultural productivity has improved to the point that it is both self-sufficient and a net exporter of a variety of food grains. Yet most Indian farmers have remained quite poor. The causes include remnants of scarcity-era regulation and an agricultural system based on small, inefficient landholdings. The agricultural system has traditionally been

unfair to primary producers. Soybeans, for example, are an important oilseed crop that has been exempted from India's Small Scale Industries Act to allow for processing in large, modern facilities. Yet 90% of the soybean crop is sold by farmers with small holdings to traders, who act as purchasing agents for buyers at a local, government-mandated marketplace, called a *mandi*. Farmers have only an approximate idea of price trends and have to accept the price offered them at auctions on the day that they bring their grain to the *mandi*. As a result, traders are well positioned to exploit both farmers and buyers through practices that sustain system-wide inefficiencies. Thus the experience of agricultural development in India has shown that the existing systems of delivery of agricultural inputs and purchase and use of agricultural output have not been efficient in reaching the benefits of better linkages between agriculture and agro- processing industry to the farmers or the agro-industry. The timely, quality and cost effective delivery of adequate inputs still remains a dream despite the marketing attempts of the corporate sector and the developmental programmes of the state. The farmers are not able to sell their produce remuneratively. There are frequent gluts in the markets, resulting in low prices and losses to the farmers. On the other hand, processors and/or marketers face problems in obtaining timely, cost effective, and adequate supply of quality raw materials. Though various models are being attempted in India to build better linkages with farmers, there is no doubt that biotechnology and ICTs will play a decisive role in bringing about competitiveness in Indian agribusiness sector both for quality and cost reasons. The role of ICTs in agricultural development can be viewed in terms of role of information provision and its use for decision-making at the farmer level.

Objectives of Study

1. To study about the initiative of ITC towards betterment of rural farmers through e- choupal.
2. To understand the benefits of e-coupal for the development of agribusiness in rural India.
3. To study the challenges faced by e-coupal modal.

Research Methodology

The study is based on secondary data. Relevant data are availed from various sources of information such as Books and Various websites.

Limitations

The study is undertaken by the use of secondary data collected by other sources which may have some deficiencies.

Need for change through ICT Tools in Indian Agriculture

Indian farmers generally rely on Department of Agriculture for various inputs such as weather information, modern and scientific farming practices and insurance cover. All these are accumulated by the village level worker (VLW) of Department of Agriculture from various sources like Government Universities, Meteorological department, insurance companie's etc. For seeds, fertilizers etc. farmers approach input retailer who source them from wholesalers who are in direct contact with the manufacturers. After harvest,

farmers bring their produce to Mandis (regional market yards) in small multiple lots throughout the year, where the beans are auctioned to the traders and agents of the processing companies in an open outcry method. The Government, to facilitate fair price discovery and enable aggregation of goods, regulates these market yards. Successful bidders then bag the beans, weigh them, pay cash to the farmers, and transport the cargo to the processing units (to whom it would have been sold through a broker). Many intermediaries carry out this whole activity, each one acting as a principal with the next leg in the transaction chain. But with every intermediary the cost of produce increases to the processor as intermediary adds his profit margin to the cost although the farmers get the lowest price and margin in the whole value chain. Apart from this, intermediaries also block the flow of market information to the farmers and use that information for their own good. Here poor farmers are squeezed to the maximum without the benefits of their labor accruing to them but to the intermediaries. International Business Division of ITC started the new initiative namely e-choupal (village meeting place on an electronic platform).

e - choupal – An ITC initiative

Set up in 1910, the Imperial Tobacco Company of India Ltd. was as the name suggests a tobacco company. In 1971 the organisation began to diversify in a big way. Diversification resulted in the organisation being a major player in various sectors including Hotels, Textiles (Tribeni Handlooms), Paper (Bhadrachalam Paperboards) and Cement (India Cements). In 1974 the company name was officially changed to ITC Ltd. ITC's Agri-Business is one of India's largest exporters of agricultural products focusing on feed ingredients, food grains, edible nuts, marine products and processed fruits.

Indian Tobacco Company - ITC's International Business Division started a unique initiative e-Choupal. It was initiated to network villages and procure Agri products for export purposes. For the first time, illiterate farmers who lacked basic knowledge of IT were conducting e-commerce transactions. e-Choupals work as trust building activity where farmers get all types of crop related information and they can sell their produce directly to ITC in ITC collection centers. e- choupal made use of IT tools to network villages and internet to provide information to farmers and others. It leveraged physical transmission capabilities of intermediaries and dis-intermediated them from flow of information and market signals. Launched in June 2000, "e-Choupal" has already become the largest private sector initiative among all Internet-based interventions in rural India. e-Choupal services it almost reached out to more than 40 lakh farmers growing a range of crops-soyabean, Coffee, wheat, rice pulses, shrimp- in over 40,000 villages through 6450 kiosks across 8 states namely M.P., Karanataka, A.P., Maharastra, Rajjastan, Uttarakhand and Tamil Nadu. It has future plans to cover 100,000 villages or one sixth of rural India, within a decade.

The e-Choupal Project

The ITC Ltd's e-Choupal project is an ICT based project, which aims at building effective farmer-agribusiness linkages. In Madhya Pradesh, the agribusiness division of the company has set up e-Choupals for soyabean that provide the farmers access to market information and quality inputs. In these e-Choupals, the farmer takes his produce to the ITC procurement center located at the block or district level after knowing price of the crop from the sanchalak in the village. He has the option to sell the produce to the company warehouse, factory, collection center or the sanchalak (Company agent who interacts with farmers for output and input transactions). The produce is brought under standardized weighing and grading systems. In the e-Choupal system, the farmer takes only a sample of his produce to the local sanchalak and receives a spot price quote from the sanchalak. If the farmer accepts the price, he can deliver directly to the company's collection center and get paid within a few hours. The ITC offers Rs. 15-20 per quintal higher price than the mandi price to the farmers for their produce. The sanchalak gets a commission of 0.5 per cent on the sales through him. The farmer's produce is accepted by the company procurement centers only with a slip from the sanchalak. The farmers are reimbursed cost of transport if they deliver to the procurement or processing center. The company has maintained a role for the traditional commission agents by making them sanyojaks (coordinators) in this project who manage physical flows in the supply chain and collect price information from local rnandis and maintain records. Thus, the company has chosen to re-intermediate, and not dis-intermediate the system. The sanchalak is an interface between the computer terminal and the farmers. He provides information to the farmers about the company and the mandi price of the produce, samples produce and even procures it sometimes, sells input of the company and other partner companies to farmers, and builds relationship with farmers. The sanchalaks are overseen by sanyojaks appointed by the company who coordinate groups of farmers, document information at the procurement center level, collect information about market prices, ensure transport of produce to the processing center, supply inputs to the sanchalak and build relations with sanchalaks and farmers. The sanyojaks are more often traditional commission agents in local mandis and the company leverages their strengths in trading and dealing with farmers. A sanyojak gets a commission of one per cent on the sales through him. In this backward vertical e-coordination, the company provides and maintains the infrastructure and equipment for the sanchalak and trains him. Each e-Choupal costs Rs.40-60 thousand in terms of set up costs. The sanchalak bears all the operational costs. In some villages, where there is no computer made available, the information exchange is carried out through telephone. In some other places, there are computers without Internet connectivity. The sanyojak identifies sanchalaks in the villages and recommends them to the company, which finally appoints the sanchalaks. It is ensured that the sanchalak should be a medium farmer so that he is acceptable to other farmers and has interest in e-Choupal.

The company reports that it recovers its equipment costs from an e-Choupal in the first year of operation and that the venture as a whole is profitable. The system also links farmers and their families to the world by tracking prices on the Chicago Board of Trade and village children using computers for schoolwork, games and to obtain print outs. This is a significant step towards rural development.

Principles of e-Choupal

The principles of the e-Choupal is to inform, empower and complete. At the same time ITC has also extracted value in four steps to make the model sustainable and scalable:

- Elimination of non-value added activities.
- Differentiated product through identity preserved supply chains.
- Value added products traceable to farm practices.
- e-market place for spot transactions and support services to future exchange.

Thus ITC Limited adopted a flexible project management approach called "roll out, fix it and scale up" to deal with uncertainties in a pioneering model.

Advantages of e-Choupal

ITC's e-Choupal **is a** ICT platform that facilitates flow of information and knowledge, and supports market transactions online viz;

1. It transmits Information (weather, prices, news)
2. It transfers Knowledge (farm management, risk management)
3. It facilitates sales of Farm Inputs (screened for quality) and
4. It offers the choice of an alternative Output marketing channel (convenience, lower transaction costs) to the farmer right at his doorstep.

Challenges confronting e-Choupal

There are several problems faced by the e-Choupal model, most of which were unique and hence all the more challenging. ITC faced many problems like Intermediary unrest, lack of awareness, outdated infrastructure, problem in electricity supply etc. But gradually ITC tried to overcome these problems. ITC upgraded the telephone lines using latest techniques in collaboration with BSNL. The company made use of specially devised technical solutions to manage data along with new imaging techniques, to deal with the bandwidth-related problems. To handle the problem of sporadic electricity, ITC made use of backup batteries, which could be recharged with solar panels.

Conclusion

The e-Choupal system gives farmers more control over their choices a higher profit margin on their crops and access to information that improves their productivity. By providing a more transparent process and empowering local people as key nodes in the system. ITC increases trust and fairness. The increase efficiencies and potential for improving crop quality contributing to making Indian agriculture more competitive. Despite difficulties from undependable phone and electric power infrastructure and sometimes limited hours of use, the system also links farmers and their families to the world. Apart from many difficulties and challenges, it is a significant step towards rural development. The key success to the e-Choupal model lies in its scalability. E choupals have been very successful in states like Madhyapradesh and Maharastra. Now ITC has to work further in its expansion to various states and use of the e-Choupals at retail chains for selling different products.

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