

## AGRIBUSINESS INCUBATION IN INDIA: WAYS FORWARD



*Though agribusiness incubators are important to promote entrepreneurship and commercialization of new technologies in agriculture, the incubators are yet to receive sufficient attention and funding in India. Lack of a positive ecosystem to nurture start-ups affects the functioning of agribusiness incubators, argues K Srinivas.*

### CONTEXT

Agribusiness incubation is a process which focuses on nurturing innovative start-ups that have high growth potential to become competitive agribusinesses by serving, adding value or linking to farm producers (InfoDev, 2013). Agribusiness incubation entails directly working with early stage enterprises and facilitation of their growth through a number of services (shared facilities and equipment, business development, technology, finance, mentoring and networking). The incubation ecosystem for agriculture is in the nascent stages of development when compared to the incubation ecosystem in other sectors such as Information Technology, CleanTech and HealthCare. The start-ups in agriculture need sector-specific incubation support including access to the knowledge, resources and agribusiness networks. Many of the start-ups also need to reach out to a large number of stakeholders in the agriculture value chains. Many start-ups working in the agriculture incubation ecosystem lack agricultural background and hence need technical support including mentoring and technology validation.

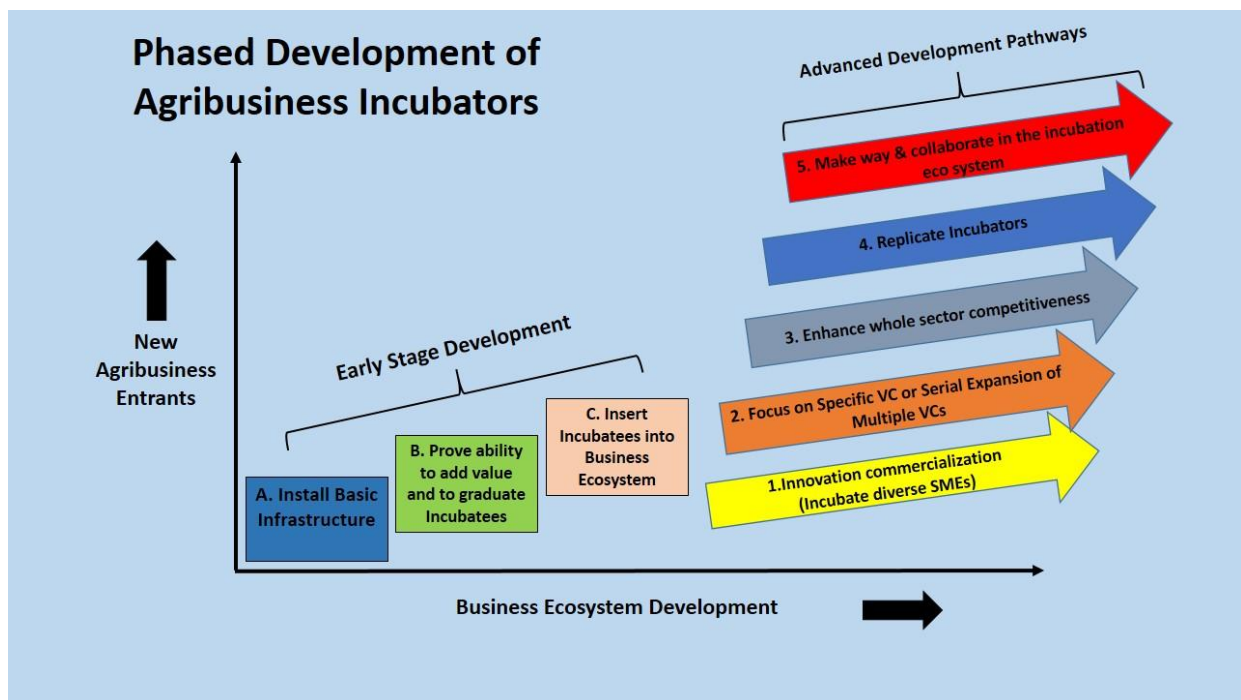
### AGRIBUSINESS INCUBATORS (ABIs)

Like other business incubators, the agribusiness incubators (ABIs) provide shared facilities and equipment, business development, market access, technology assessment services, financial services; as well as mentoring and networking (Sivakumar and Sivaraman, 2014).

ABIs play a major role in many ways:

- Entrepreneurship development
- Development of ecosystem in the area of agriculture technologies
- Commercialization of technologies (developed by various stakeholders in agriculture including scientists, students, and entrepreneurs) from lab to land
- Early stage support to the technology start-ups emerging in the area of agriculture.

ABIs evolve with changing agenda for enterprise development determined by changes in their business ecosystem and corresponding changes in incubator strategy. The figure below depicts three stages of “early stage development” and five alternative pathways for more advanced development and scale-up of agribusiness incubation (Fig 1).



Source: InfoDev(2013)

Fig 1: Phased development of Agribusiness incubators

ABIs need the following capacities:

- *Large Networks:* a large network of agricultural stakeholders across the value chain with a pool of mentors, investors and other knowledge partners.
- *Technological support for validation of technologies:* A strong technological support drawn from the network of people/institutions for validation of technologies.
- *Business support for scaling of start-ups:* Access to wide networks of agribusiness support for scaling the start-ups (Box 1).

**Box 1: Start-up?**

A start-up is a young company that is just beginning to develop. Start-ups are usually small and initially financed and operated by a handful of founders or one individual. These companies offer a product or service that is not currently being offered elsewhere in the market, or that the founders believe is being offered in an inferior manner. In the early stages, start-up companies' expenses tend to exceed their revenues as they work on developing, testing and marketing their idea. As such, they often require financing. Incubators can provide start-ups with both the capital and the advice. A start-up that can prove its potential may be able to attract venture capital financing in exchange for giving up some control and a percentage of company ownership

(<http://www.investopedia.com/ask/answers/12/what-is-a-startup.asp>)

## CHALLENGES IN PROMOTING ABIs

Many stakeholders spread across the value chains of agriculture makes it more challenging for the agriculture start-ups to test their technologies and products. Although many have knowledge of agriculture and agri-business, very few mentors have specific knowledge of agribusiness incubation.. Most of the promoters who are keen to invest in start-ups are yielding high rates of return (ROI) in a short span of time. However, in the case of agriculture start-ups more timeframe is required and the ROI may not be competitive enough.

## ABIs IN INDIA

Over the past five years, several ABIs have emerged in India. The Agribusiness Incubation (ABI) program of ICRISAT, Hyderabad, is the most successful business incubator in India. Started in 2003, the ABI at ICRISAT has incubated over 200 agribusiness ventures so far, and facilitated funding to 23 ventures worth \$18 million, trained more than 2300 entrepreneurs and assisted in the commercialisation of 194 agro-technologies (<http://www.aipicrisat.org/agri-business-incubation-abi-program/abi-impact/>)

In May 2015, the Indian Institute of Management, Ahmedabad (IIM-A) technology business incubator – Centre for Innovation Incubation and Entrepreneurship (<http://www.ciie.co/>) CIIE) – launched its first food and agri-business accelerator in partnership with a-IDEA – the business incubator at Indian Council of Agricultural Research’s (ICAR) National Academy of Agricultural Research Management (<http://www.naarm.ernet.in/>). More than a dozen ABIs in the name of Business Planning and Development (BPD) units exist in select ICAR institute and Agricultural Universities in India.

## A-IDEA, TECHNOLOGY BUSINESS INCUBATOR OF NAARM

*a-IDEA* (Association for Innovation Development of Entrepreneurship in Agriculture) is an initiative by ICAR-National Academy of Agricultural Research Management (ICAR-NAARM, GOI) with the support of Department of Science & Technology (DST,GOI) for fostering innovation and entrepreneurship in agriculture in India. *a-IDEA* operates under this initiative of Centre for Agriculture Innovation (CAI) and its objectives are as follows:

- Give incubation support services to the agri-entrepreneurs for developing their businesses.
- Scout and catalyse the commercial utilization of viable technologies developed at various research institutions in National Agricultural Research Systems (NARS).
- Build and accelerate the agri-business cluster across the ecosystem.
- Provide access to knowledge and networking support services in innovation and entrepreneurship in agriculture.

a-IDEA hand-holds entrepreneurs who come up with agri-startup ideas, mentor them and provide them research, managerial and technology support. They even guide entrepreneurs on

financial aspects and link them to banks and other institutes for funds. Different services offered by a-IDEA are illustrated in Fig 2. The processes adopted by a-IDEA in identifying and supporting start-ups are indicated in Box 2.



**Fig 2: Services offered by a-IDEA**

**Box 2: a-IDEA: Identification and support of start-ups**

The start-ups approach a-IDEA either through a network, referrals of agricultural institutions/incubators/start-ups or by accessing information available in print media or online/social media. a-IDEA provides Incubation and Accelerator programs for start-ups in agriculture.

The Accelerator program is a PAN India competition which is held yearly once, and the start-ups applications are reviewed and evaluated by the experts in the screening committee. The committee shortlists a cohort of the start-ups who are trained virtually for a period of four months. During this intense training period, the start-ups are provided access to training, handholding support through access to mentors, technology support, technology validation, business model development, product launch,

networking, capacity building, pitching, access to funding resources followed by a Demo day which is an investor meet, where the start-ups happen to present before a group of empanelled investors ranging from High Network Individuals (HNI's), Angel Investors, Venture Capitalists etc. As a part of the accelerator a-IDEA also provides a seed fund to the start-up which emerges as the best of the start-ups in the accelerator program at the end of the program. The accelerator program is primarily held to support start-ups in agriculture that are in the stage of scaling up.

The incubation program is an ongoing program, wherein the early stage start-ups approach for the incubation support from us. As a part of incubation program, the start-ups which are keen to be a part of this program approaches a-IDEA followed by a general meeting/ telephonic discussion/ Skype call, followed by an Incubation template which is shared by the incubator to the start-up. Further the start-up needs to fill the form and submit to the a-IDEA. Once the filled-in application form of the startup is received, the application is sent for evaluation to the experts representing the industry, scientists, academicians etc. Based on the feedback of the experts, start-ups are supported in the incubation program through a MOU for a period of 18 months. As part of the incubation program, a range of services to the start-ups are offered. The services offered by a-IDEA to the incubates ranges from protocols for company formation, training, capacity building, office and shared spaces, research space for conducting trails, technology mentoring, access to institutional databases and resources, technology validation, business model development, product launch, channel management, planning of sales and distribution, marketing plan and any other needs chalked mutually by the startup, incubator team and mentors. Nominal incubation fee is charged per annum towards the infrastructure, support and services provided to the start-ups.

Since May 2015, a-IDEA is supporting closely 12 start-ups in agriculture. The following is a snapshot of the start-ups a-IDEA is working with (Fig 3).



Fig 3: Start-ups at a-IDEA

The agricultural start-ups of a-IDEA are working at the grassroots level. For instance, InnerBeing Wellness, promoted by an entrepreneur Mr. Jadhav and his team, are promoting quinoa and other millets. As the demand for readily acceptable products at the customers end is growing, they are able to transfer the benefits to the farmers at the grassroots level. The disposable income of farmers is increasing through the sale of high value quinoa. At customers end, making quinoa available to them at an affordable cost due to establishment of good supply chain is beneficial as consumption of quinoa is considered to be a good substitute for Rice, especially for patients suffering from diabetes. InnerBeing Wellness is currently working on establishment of quinoa supply chain in the districts of Telangana state, which at a macro level could provide impetus to the dry land farming situations having scarce irrigation resources and fragmented land holdings.

Another incubate, Agrowbook provides an ICT platform with features such as Agri-on-mobile and AgrowTube for dissemination of agricultural related information to the farmers (Lode 2016). They are also offering marketplace for connecting farmers, dealers, distributors, agri-input companies, so that agri-input supply chain is streamlined with access to the availability and prices of the agri-inputs i.e., seeds, fertilizers, pesticides through this ICT platform using their smartphones. Agrowbook is working on the marketplace in Tallasingaram Taluka of Nalgonda district of Telangana state. Through this initiative, the farmers are likely to get effective information on availability and prices of agri-inputs.

### **CONSTRAINTS IMPACTING AGRIBUSINESS INCUBATION IN INDIA**

Very few ABIs in the country are present to support agriculture start-ups. ABIs in general have a limited funding support from the supporting organizations and largely work as not for profit organizations, limiting their own sustainability and scalability. Most of the ABI's in the country are relying on the debt format to support start-ups and equity based funding support to start-ups is largely not available in the ABI's in the country.

### **OVERCOMING THE CHALLENGES**

There is a need to establish more ABIs to promote agricultural start-ups in the country. But at the same time, the existing ABIs need to be strengthened. Some of the following measure can go a long way in strengthening the existing ABIs:

- The funding support to agriculture focused ABI's be increased so that the limited number of ABI's in the country are capacitated better to support more Agri start-ups.
- Host institutions of the ABI's should complement a positive ecosystem to encourage the ABI's to support the start-ups financially through debt, equity as well as royalty formats.
- Agricultural colleges should sensitize their students on agricultural start-ups and agriculture incubation services by developing suitable courses and modules in this area. This could also encourage students to initiate agricultural start-ups.
- Organisations such as NAARM, ICRISAT, IIM-A etc having experience with ABIs should organize more capacity development programmes on Agribusiness incubation to enhance capacities of research agencies who are venturing to establish ABIs in the country.

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